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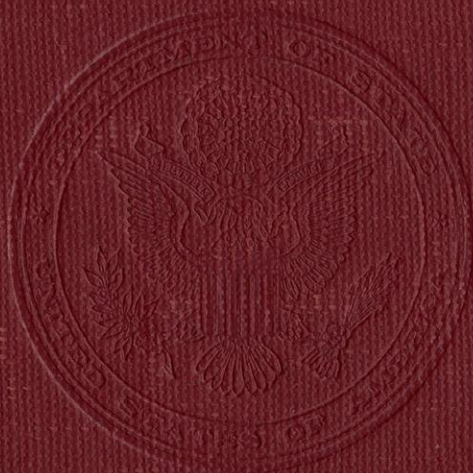
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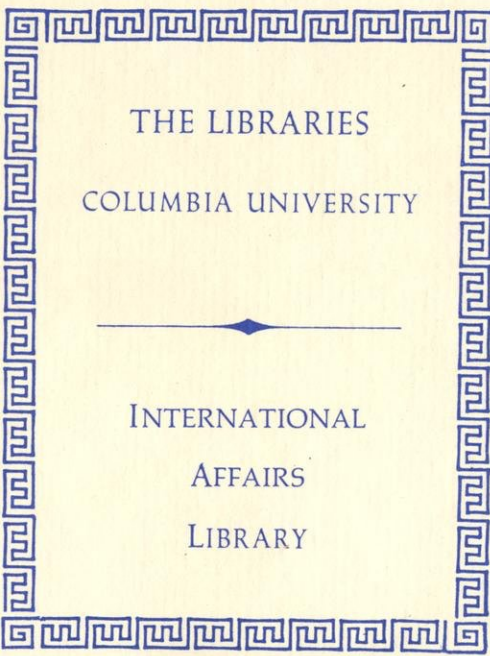
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PREFACE

This volume was compiled and edited by William Slany, under the direct supervision of S. Everett Gleason, Chief of the Foreign Relations Division.

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

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

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

This volume presents documentation on the efforts of the United States to bring about peace settlements for Germany and Austria and to deal with the problems of occupation and control in those countries pending achievements of such settlements. The search for the peace settlements was carried on by the Great Powers—the United States, the United Kingdom, the Soviet Union, and France—chiefly through the mechanism of the Council of Foreign Ministers. During 1947, the Council of Foreign Ministers held 60 formal meetings during its Fourth Session in Moscow, March 10–April 24 and its Fifth Session in London, November 25–December 15. In addition, the Deputies for Germany of the Council of Foreign Ministers held sixty-one meetings in London during January and February and again in November, while the Deputies for Austria held sixty-three meetings in London in January and February and in Moscow during the Council's Fourth Session. The Council also established an Austrian Treaty Commission which held eighty-five meetings in Vienna from May through October.

Chapters I through IV of this volume present papers relating to the convening and proceedings of the Council of Foreign Ministers and its subordinate agencies. The editors have not regarded as appropriate or necessary the printing here of the complete records of Council meetings and formal documents. Although the meetings of the Council were held in secret, the world press was kept fully apprised of the substance of the transactions. The principal policy statements made at Council meetings were promptly released to the press and became a part of the public record. Editorial notes and annotations indicate many of these materials in the more readily accessible printed sources. While avoiding the re-publication here of statements and documents whose text or substance is already generally known or available, every effort has been made to provide an essential outline of the transactions of Council meetings, to delineate the main thrust of American policies and attitudes, and to present a comprehensive record of the Secretary of State while attending the sessions of the Council. Thus, an American Delegation report has been included covering every meeting of the Council. The most authoritative and substantive record of each meeting which the Secretary of State had with foreign representatives outside the formal Council meetings has also been included.

The formal four-power proceedings of the Moscow and London Sessions of the Council of Foreign Ministers were conducted in accord-

ance with agreed agendas. The Secretary of State and his principal advisers also used the occasion of the Council sessions to discuss non-agenda issues with British, French, and Soviet officials. These discussions often extended beyond consideration of German and Austrian questions. Moreover, a wide range of policy problems were referred to the Secretary by the Department of State for decision while he was in attendance at Council meetings. The editors have restricted the documentation presented here to materials directly related to issues on the Council's agenda and to German and Austrian questions closely related to the prospective peace settlements. Documentation on other topics discussed or considered by the Secretary of State and the United States Delegation during sessions of the Council of Foreign Ministers is included in appropriate compilations in other volumes of *Foreign Relations* for the year 1947.

Individual reports have not been included in this volume for each of the 209 meetings of the Deputies for Germany, the Deputies for Austria, and the Austrian Treaty Commission. In view of the publicity given to these meetings at the time they were held and in order to conserve space, only formal Deputy and Commission documents of particular significance and reports of meetings of exceptional interest are presented here. The preponderant share of the materials on the Deputies and the Austrian Commission consists of correspondence between the Department of State and the American delegations to these bodies.

Although the Council of Foreign Ministers was almost exclusively concerned with the German and Austrian peace settlements during 1947, it did also continue to give attention to the details of the Italian peace settlement. The Deputies for the Former Italian Colonies met in London in October and November, the Four Power Italian Naval Commission concluded its work at the beginning of 1947, and special bodies were involved in investigating the financial situation and the delimiting of the boundaries of the proposed Free Territory of Trieste. Documents on these topics are included in volume III under the heading "Italy".

Chapters V and VI of this volume contain papers on the problems of the occupation and control of Germany and Austria. The editors have not attempted to document the full range of issues that arose in the course of the quadripartite occupation of these two countries. Nor has it appeared useful to present records of all of the many-score meetings of the principal Allied control bodies—the Allied Control Commission and Coordinating Committee in Germany and the Allied Council and Executive Committee in Austria. The editors have concentrated instead upon presenting documentation, including where

necessary reports on or documents from the principal Allied governing bodies, on the major issues and problems that confronted the United States in the discharge of its occupational responsibilities. 1947 was a year of steady deterioration in the quadripartite control system in Germany, and the most pressing issue facing the United States was the development of economic cooperation and coordination among the American, British, and French zones of occupation. In Germany as well as in Austria, the problems of economic rehabilitation and relief were also of outstanding gravity. For the sake of convenience, the materials in these chapters are grouped topically. Wherever possible, the editors have tried to avoid reprinting those documents, agreements, or statements which have already been included in the most readily available documentaries on German and Austrian occupation or in official governmental publications.

The principal collection of documents in the Department of State dealing with the Council of Foreign Ministers is the special 249-box consolidated lot file, Lot M-88. Much of the material in this lot file is not repeated in the central files of the Department, although the latter still remain paramount on most other aspects of policy towards Germany and Austria. Of outstanding importance in compiling the documentary record of occupation policy in Germany and Austria are the files of the Political Adviser for Germany, which are included in the post files of the Frankfurt Consulate, and the files of the United States Legation at Vienna.

For the sake of simplifying the editorial apparatus in this volume, the editors have dispensed with the usual practice of identifying persons in footnotes to individual documents. Instead, a comprehensive list of persons mentioned in this volume is included together with a list of abbreviations.

For previous documentation on the work of the Council of Foreign Ministers, the reader should consult *Foreign Relations*, 1946, volume II. For earlier documentation on the occupation and control of Germany and Austria, see *ibid.*, 1946 volume V.

LIST OF ABBREVIATIONS, SYMBOLS, AND CODE NAMES

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

- A-A**, Office of Assistant Secretary of State Armour
- AAF**, Army Air Forces
- ACA**, Allied Control Authority for Germany
- ACA**, Allied Council for Austria
- ACC**, Allied Control Council
- AEG**, *Allgemeine Elektrizitäts Gesellschaft* (General Electric Company)
- AFL**, American Federation of Labor
- AG**, *Aktiengesellschaft*
- AGC**, Document designation, American-British Coal Conversations, August 12–September 10, 1947
- AGWar**, Adjutant General, War Department
- A-H**, Office of Assistant Secretary of State John H. Hildring
- A-S**, Office of Assistant Secretary of State Charles Saltzman
- ATC**, Austrian Treaty Commission
- AusPolAd**, United States Political Adviser for Austrian Affairs
- BC**, Division of British Commonwealth Affairs, Department of State
- CA**, Civil Affairs
- CAD**, Civil Affairs Division, War Department General Staff
- CC**, military message indicator
- CDU**, *Christlich-Demokratische Union* (Christian Democratic Union)
- CE**, Division of Central European Affairs, Department of State
- CFM**, Council of Foreign Ministers
- CGT**, *Confédération Générale du Travail* (General Federation of Labor)
- CIC**, Counter Intelligence Corps
- CIG**, Counter Intelligence Group
- CINCEUR**, Commander in Chief, European Command, United States Army
- COMGENUSFA**, Commanding General United States Forces in Austria
- Cominform**, Communist Information Bureau
- Comintern**, The Third Communist International
- CORC**, Coordinating Committee, Allied Control Authority for Germany
- CP**, Communist Party
- C/S**, Chief of Staff
- DDSG**, *Donaudampfschiffahrtsgesellschaft* (Danube Shipping Company)
- Delsec**, indicator for telegrams from the United States Delegation to the Council of Foreign Ministers, at times headed by the Secretary of State.
- Dept**, Department of State
- Desp**, Despatch
- DP**, Displaced person
- DRE**, Division of Research for Europe, Department of State
- EAC**, European Advisory Commission
- ECE**, Economic Commission for Europe
- ECITO**, European Central Inland Transport Organization
- ECO**, European Coal Organization
- Econ**, Economic Directorate, Allied Control Authority for Germany
- Embtel**, Embassy telegram
- Emtel**, Embassy telegram
- ERP**, European Recovery Program
- Eucom**, European Command, United States Army

- FDGB**, *Freier Deutscher Gewerkschaftsbund* (Free German Trade Union Association)
- FDJ**, *Freie Deutsche Jugend* (Free German Youth)
- FonMin**, Foreign Minister
- FonOff**, Foreign Office
- ForMin**, Foreign Minister
- GA**, Division of German and Austrian Economic Affairs, Department of State
- GA**, General Assembly of the United Nations, see also **UNGA**
- G-2**, Intelligence section of the general staff of a large military unit
- G.m.b.H.**, *Gesellschaft mit beschränkter Haftung* (limited liability company)
- IARA**, Inter-Allied Reparation Agency
- Infotel**, Information telegram
- I.R.O.**, International Refugee Organization
- JCS**, Joint Chiefs of Staff
- Kosmos**, series indicator for telegrams from the United States Delegation to the Council of Foreign Ministers dealing with non-CFM business
- KPD**, *Kommunistische Partei Deutschlands* (German Communist Party)
- KRN**, *Krajowa Rada Narodowa* (Polish National Council of the Homeland)
- LDP**, *Liberal-Demokratische Partei* (German Liberal Democratic Party)
- Leg**, Legation
- Legsdesp**, Legation despatch
- Legtel**, Legation telegram
- Martel**, series indicator for telegram from the Secretary of State while at the Fifth Session of the Council of Foreign Ministers, London, November-December 1947
- MEA**, Mission for Economic Affairs, United States Embassy in London
- MG**, Military Government
- Moskco**, series indicator for telegrams to the United States Delegation to the Council of Foreign Ministers dealing with non-CFM business
- MRP**, *Mouvement Républicain Populaire* (French Political Party)
- Mytel**, My telegram
- NOE**, Division of Northern European Affairs, Department of State
- OE**, Division of Occupied Areas Economic Affairs, Department of State
- OMGUS**, Office of Military Government in Germany (United States)
- Ourtel**, Our telegram
- P**, Military message indicator
- PL**, Public Law
- POL**, Petroleum, oil, and lubricants
- PoAd**, Political Adviser
- POW**, Prisoner of War
- RAD**, Radio message
- RDR**, Reparations, Deliveries and Restitution
- Reurtel**, Regarding your telegram
- R.F.C.**, Reconstruction Finance Corporation
- RGR**, *Rassemblement des Gauches Républicaines* (French Political Party)
- SANACC**, State - Army - Navy - Air Force Coordinating Committee
- Sedel**, indicator for telegrams to the United States Delegation to the Council of Foreign Ministers, at times headed by the Secretary of State
- SED**, *Sozialistische Einheitspartei Deutschlands* (Socialist Unity Party of Germany)
- SHAEF**, Supreme Headquarters Allied Expeditionary Force
- SMA**, *Sowjetische Militäradministration Deutschlands* (Soviet Military Administration for Germany)
- SMAD**, see **SMA**
- Sov**, Soviet
- SPD**, *Sozialdemokratische Partei Deutschlands* (German Social Democratic Party)
- SWN**, State-War-Navy Coordinating Committee document designation
- SWNCC**, State-War-Navy Coordinating Committee
- SX**, Military message indicator
- TC**, Division of Language Services, Department of State

- Telmar**, series indicator for telegrams to the Secretary of State while at the Fifth Session of the Council of Foreign Ministers at London, November-December 1947
- TOPSEC**, Top Secret
- TT**, telecommunications conference indicator
- TUC**, Trades Union Congress (British)
- TVA**, Tennessee Valley Authority
- UNESCO**, United Nations Educational, Scientific and Cultural Organization
- UNGA**, United Nations General Assembly
- UNO**, United Nations Organization
- UNRRA**, United Nations Relief and Rehabilitation Administration
- UP**, United Press
- URAD**, Your radio message
- Urtel**, Your telegram
- USDel**, United States Delegation
- USFA**, United States Forces in Austria
- USFET**, United States Forces, European Theater
- USIA**, *Upravlenye Sovetskovo Imushchestva v Avstrii* (Administration for Soviet Property in Austria)
- USIVA**, see USIA
- USPolAd**, United States Political Adviser
- VE Day**, Victory in Europe Day (May 7-8, 1945)
- VHB**, very heavy bomber
- War**, War Department
- WD**, War Department
- WDSCA**, War Department Staff Civil Affairs
- WE**, Division of Western European Affairs, Department of State
- WFTU**, World Federation of Trade Unions
- WX**, military message indicator

LIST OF PERSONS

EDITOR'S NOTE.—The identification of the persons in this list is limited to circumstances and positions under reference in this volume. Historical personages alluded to in the volume and certain minor officials are not identified here. All titles and positions are American unless there is an indication to the contrary.

- Acheson, Dean, Under Secretary of State, August 1945—June 1947
- Adenauer, Dr. Konrad, Chairman of the Christian Democratic Union in the British Zone of Occupation in Germany
- Agartz, Dr. Viktor, leader in the German Social Democratic Party; Bizonal German Economic Administrator
- Aghnides, Thanassis, Greek Ambassador in the United Kingdom
- Alexander, Albert V., British Minister of Defence
- Allen, George V., United States Ambassador in Iran
- Allen, William D., Counsellor, British Embassy in Washington
- Alphand, Hervé, Director General of Economic and Financial Affairs, French Foreign Ministry
- Anderson, Clinton P., Secretary of Agriculture
- Anderson, D. L., Vice President, Economic Subcommission of the Control Commission for Germany, British Element
- Armour, Norman, Assistant Secretary of State for Political Affairs, from July 1, 1947
- Attlee, Clement R., British Prime Minister
- Auriol, Vincent, President of the French Republic
- Balfour, Sir John, British Minister to the United States
- Barnes, Ernest John Ward, Second Secretary in the British Embassy in Washington
- Beam, Jacob D., Chief, Division of Central European Affairs, Department of State, from October 1, 1947
- Bentinck, see Cavendish-Bentinck
- Bérard, Armand, Minister Counselor, French Embassy in Washington
- Berger, Samuel D., Labor Attaché, United States Embassy in London
- Berman, Jakub, Member of the Politburo of the Polish Workers Party (Communist); Under Secretary of State in the Presidium of the Polish Ministerial Council
- Béthouart, Général d'Armée M. E., French High Commissioner in Austria
- Bevin, Ernest, British Secretary of State for Foreign Affairs

- Bidault, Georges, French Minister for Foreign Affairs
- Bloom, Sol, Congressman from New York, ranking Democratic member of the House Foreign Affairs Committee
- Bohlen, Charles E., Special Assistant to the Secretary of State, November 1946–July 1947; Counselor of the Department of State from August 1947
- Bolton, Kenyon C., Division of International Conferences, Department of State
- Bonbright, James C. H., Counselor of the United States Embassy in Paris
- Bonesteel, Colonel Charles H., Politico-Military Survey Section, Plans and Operation Division, War Department General Staff
- Bonnet, Henri, French Ambassador in the United States
- Braden, Spruille, Assistant Secretary of State for American Republic Affairs, August 1945–June 1947
- Brosio, Manlio, Italian Ambassador in the Soviet Union
- Brownjohn, Major General N. C. D., Deputy Chief of Staff (Policy) to the British Military Governor for Germany; from November 1947, Chief of Staff and Deputy Military Governor of the British Zone in Germany
- Bruins, John H., Counselor of the United States Embassy in Praha
- Burin des Roziers, Etienne, French Foreign Ministry; alternate French Representative, Austrian Treaty Commission
- Byrnes, James F., Secretary of State, July 1945–January 1947
- Cabot, John Moors, Counselor of the United States Embassy in Belgrade; Chargé from March to July 1947
- Caffery, Jefferson, United States Ambassador in France
- Capper, Arthur, United States Senator from Kansas
- de Carbonnel, Eric, Deputy Director, Office of Economic and Financial Affairs, French Foreign Ministry
- Carter, Marshall S., Special Assistant to the Secretary of State
- Catroux, Général Georges, French Ambassador in the Soviet Union
- Cavendish-Bentinck, Victor, British Ambassador in Poland
- Chase, Warren M., on the staff of the United States Political Adviser for Germany
- Chauvel, Jean, Secretary General of the French Foreign Ministry
- Cherrière, Général de Brigade Paul, French Deputy High Commissioner for Austria; French Representative to the Austrian Treaty Commission, May–October 1947; Special Deputy for Austria, Council of Foreign Ministers
- Chodron de Courcel, Geoffroy, Deputy Director, Office of European Affairs, French Foreign Ministry
- Churchill, Winston S., British Prime Minister and Minister of Defence, 1940–1945

- Clark, Lewis, Counselor of the United States Embassy in London
- Clark, General Mark W., Commanding General of United States Forces in Austria and High Commissioner for Austria, September 1945–May 1947
- Claxton, Philander P., Jr., Special Assistant to the Assistant Secretary of State for Occupied Areas
- Clay, Lieutenant General Lucius Dubois, Deputy Military Governor for Germany and United States member, Coordinating Committee, Allied Control Authority for Germany, July 1945–March 1947; from March 1947, General, United States Commander-in-Chief Europe and Military Governor for Germany (succeeding McNarney)
- Clayton, William L., Under Secretary of State for Economic Affairs
- Cohen, Benjamin V., Counselor of the Department of State, July 1945–July 1947
- Connally, Tom, United States Senator from Texas; ranking Democratic member of the Senate Foreign Relations Committee
- Couve de Murville, Maurice, Director General of Political Affairs, French Foreign Ministry; French Deputy for Germany in the Council of Foreign Ministers
- Cullis, M. F., Austrian Expert, German Department, British Foreign Office; Alternate British Representative on the Austrian Treaty Commission, May–October 1947
- Dahlem, Franz, member of the Politburo of the Socialist Unity Party of Germany
- Daspit, Alexander B., Deputy United States Delegate to the Inter-Allied Reparations Agency
- Deakin, Arthur, General Secretary, British Transport and General Workers Union
- Dean, Patrick H., Head of the German Political Department, British Foreign Office; Special British Deputy for Germany, Council of Foreign Ministers
- de Courcel, see Chodron de Courcel
- de Gaulle, Général de Brigade Charles, head of the French Government, 1944–1946
- Denby, James Orr, Counselor of the United States Legation in Vienna
- Deschamps, Noel, Australian Embassy Counselor and Chargé in the Soviet Union
- Deutsch, Julius, a leader in the Austrian Socialist Party
- de Wilde, John C., Associate Chief, Division of German and Austrian Economic Affairs, Department of State, April 1946–September 1947; Associate Chief, Division of Occupied Areas Economic Affairs, from September 1947

- Dixon, Pierson John, Private Secretary to British Foreign Secretary Bevin
- Dodge, Joseph M., President and Director of the Detroit Bank; Financial Adviser to the United States Military Governor for Germany, 1945-1946; United States Representative on the Austrian Treaty Commission, May-October 1947; Member, United States Delegation, Council of Foreign Ministers, London, November-December 1947
- Dorr, Russell, United States Delegate to the Inter-Allied Reparations Agency, Brussels
- Douglas, Lewis W., United States Ambassador in the United Kingdom
- Douglas, Marshal of the Royal Air Force Sir Sholto, British Commander in Chief and Military Governor for Germany, May 1946-October 1947
- Draper, Major General William H., Economic Adviser to the United States Military Governor for Germany; Under Secretary of War, from August 1947
- Dratvin, Lieutenant General Mikhail Ivanovich, Soviet Representative on the Coordinating Committee, Allied Control Authority for Germany, March-July 1946, and from May 1947
- Duff-Cooper, Alfred, British Ambassador in France
- Dulles, Eleanor Lansing, Senior Economic Analyst, United States Legation in Vienna
- Dulles, John Foster, lawyer; adviser to the United States Delegations to sessions of the Council of Foreign Ministers at Moscow, March-April 1947 and at London, November-December 1947
- Dunn, James C., United States Ambassador in Italy
- Eady, Sir Wilfred, Deputy Governor, Bank of England
- Eaton, Charles A., Republican Congressman from New Jersey; Chairman of the House Foreign Affairs Committee
- Ebert, Friedrich, Jr., member of the Politburo of the German Socialist Unity Party
- Ehard, Dr. Hans, Minister-President for Bavaria
- Eisenhower, General of the Army Dwight D., Supreme Commander, Allied Expeditionary Force, December 1943-July 1945; Commander in Chief, United States Forces in Europe, and Military Governor for Germany, July-November 1945; Chief of Staff, United States Army, from November 1945
- Eldridge, Richard, Labor attaché, United States Embassy in Paris
- Erhardt, John G., United States Minister in Austria; Political Adviser to the United States High Commissioner for Austria
- Espinosa de los Monteros, Señor Dr. Don, Mexican Ambassador in the United States
- Evatt, Herbert, Australian Minister for External Affairs

- Figl, Dr. Leopold, Austrian Federal Chancellor and Foreign Minister
- Fischer, Ernest, Member, Executive Committee, Austrian Communist Party; Member of Austrian National Assembly
- Fitzgerald, D. A., Secretary General of the International Emergency Food Council
- Foo Ping-Sheung, Chinese Ambassador in the Soviet Union
- Forester, Max, Chief, Coal Section of Economics Division, Office of United States Military Government for Germany
- Forrestal, James V., Secretary of the Navy
- Friedensburg, Dr. Ferdinand, leader in Berlin of the Christian Democratic Union
- Gallman, Waldemar, Minister Counselor of the United States Embassy in the United Kingdom
- Geolot, A. F., Second Secretary, British Embassy in Washington
- Gerashchenko, Vladimir Sergeevich, Chief, Economic Affairs Division, Soviet Foreign Ministry; Soviet Representative on the Trieste Commission on Inquiry, Council of Foreign Ministers
- Ginsburg, Charles David, Washington, D.C. lawyer; Deputy Director, Economics Division, Office of Military Government for Germany (US), 1945-1946; United States Alternate Representative to the Austrian Treaty Commission, May-October 1947; Member, United States Delegation, Council of Foreign Ministers, London, November-December 1947
- Glasser, Harold, Director of Monetary Research, Department of the Treasury; United States Representative, Trieste Commission of Inquiry, Council of Foreign Ministers
- Gniffke, Erich, member of the Politburo of the German Socialist Unity Party
- Goldsmith, Raymond, Economic Consultant, Department of State
- González Muñoz, Rafael Pérez, y, Cuban Minister of State
- Gottwald, Klement, Czechoslovak Prime Minister
- Grabski, Stanisław, Vice President of the Polish National Council of the Homeland, July 1945-January 1947
- Graffey Smith, A. P., British Representative on the Trieste Commission of Inquiry, Council of Foreign Ministers
- Graves, Hubert Ashton, Counsellor of the British Embassy in Washington
- Griffiths, Stanton, United States Ambassador in Poland, from July 1947
- Grotewohl, Otto, Co-Chairman and member of the Central Secretariat of the German Socialist Unity Party
- Gruben, Baron Hervé de, Belgian Ministry for Foreign Affairs
- Gruber, Dr. Karl, Austrian Minister without Portfolio charged with the conduct of foreign affairs

- Gundelach, Gustav, Chairman, Communist Party, Hamburg; member of the Hamburg municipal government
- Gurney, Chan, United States Senator from South Dakota, Chairman of the Senate Committee on Armed Services
- Gusev, Fedor Tarasovich, Deputy Minister for Foreign Affairs of the Soviet Union
- Hajdu, Vavro, Czechoslovak Ministry for Foreign Affairs
- Hall-Patch, Sir Edmund, British Deputy Under Secretary of State for Foreign Affairs
- Harriman, W. Averell, Secretary of Commerce (Ambassador in the Soviet Union, 1943-1946)
- Harvey, Sir Oliver Charles, Deputy Under Secretary of State (Political), British Foreign Office; Superintending Under Secretary of the German Department, February 1946-December 1947
- Hatch, Carl A., United States Senator from New Mexico
- Heath, Donald Read, Counselor of Mission, Office of the United States Political Adviser for Germany
- Heidrich, Arnost, Secretary General of the Czechoslovak Ministry for Foreign Affairs
- Helmer, Oskar, Austrian Minister of Interior
- Herwegen, Dr. Leo, Chairman of the Christian Democratic Union in Saxony-Anhalt
- Hesketh, Brigadier General William, United States Commandant for Berlin, September-December 1947; Deputy Military Governor for Germany from December 1947
- Hester, Colonel Hugh, Chief, Food and Agriculture Branch, Economics Division, Office of Military Government for Germany, United States Zone
- Hickenlooper, Bourke, United States Senator from Iowa
- Hickerson, John D., Deputy Director, Office of European Affairs, Department of State, December 1944-August 1947; Director, Office of European Affairs, from August 1947
- Hickmann, Prof. Hugo, Chairman of the Christian Democratic Union in Saxony
- Hilldring, John H., Assistant Secretary of State for Occupied Areas, April 1946-August 1947
- Hirschfeld, H. M., Commissioner for German Affairs, Netherlands Foreign Ministry
- Hlond, Cardinal Augustyn, Archbishop of Gneszno-Poznan
- Hodgson, Lieutenant Colonel William R., Australian Minister in France
- Hood, Viscount Samuel, Deputy to the British Secretary of State for Foreign Affairs for the Peace Treaty with Austria
- Hoover, Herbert, President of the United States, 1929-1933

- Hopkins, Harry L., Special Assistant to President Roosevelt
- Horak, Jiri, Czechoslovak Ambassador in the Soviet Union
- Howley, Colonel Frank, United States Deputy Commandant for Berlin, July 1945–December 1947; from December 1947, Commandant
- Humelsine, Carlisle H., Director, Executive Secretariat, Department of State
- Inverchapel, Lord, British Ambassador in the United States
- Ivanov, V. S., Political Adviser to the Chief of the Soviet Military Administration for Germany
- Iveković, Mladen, Yugoslav Delegate to the Inter Allied Reparation Agency
- Jacobs, George, economic expert, Division of Occupied Areas Economic Affairs, Department of State
- Jacobson, Jerome, Division of Occupied Areas Economic Affairs, Department of State
- Jelisarov, see Yelisarov
- Jendretzky, Hans, Chairman, German Trade Union Association; member of the Executive Committee, German Socialist Unity Party
- Jenkins, Sir (Thomas) Gilmour, Joint Permanent Under Secretary of State in Charge of German Affairs, British Foreign Office (until October 1947)
- Jones, John Henry, British Labor Party Member of Parliament
- Jordan, William J., New Zealand High Commissioner in London
- Jouhaux, Léon, Secretary General of the Confédération Générale du Travail
- Kaiser, Jakob, Chairman of the Christian Democratic Union in the Soviet Zone of Occupation in Germany
- Kardelj, Edvard, Yugoslav Deputy Prime Minister (Vice Minister-President)
- Karsten, Karl, Member of the Politburo of the German Socialist Unity Party
- Keating, Major General Frank A., United States Commandant for Berlin and Member of the Allied Kommandatura, May 1946–May 1947; Deputy Military Governor for Germany, May 1947–December 1947
- Kelchner, Warren, Chief, Division of International Conferences, Department of State; sometime Secretary General, Council of Foreign Ministers
- Kennan, George F., Director, Policy Planning Staff, Department of State
- Kern, Käthe, Member of the Politburo of the German Socialist Unity Party

- Keyes, Lieutenant General Geoffrey, United States High Commissioner for Austria and Commanding General United States Forces in Austria from May 1947
- Kidd, Coburn B., Division of Central European Affairs, Department of State
- Kindleberger, Charles P., Chief, Division of German and Austrian Economic Affairs, Department of State
- Kirk, Admiral Alan G., United States Ambassador in Belgium
- Kirkpatrick, Sir Ivone Augustine, Assistant Secretary of State in the British Foreign Office; Superintending Under Secretary of the General German Department from December 1947
- Kiselev, Evgeniy Dmitriyevich, Political Adviser to the Soviet High Commissioner for Austria and Soviet Political Representative in Austria
- Kiselev, Kuzma Venediktovich, Deputy Chairman of the Council of Ministers and Minister for Foreign Affairs of the Byelorussian Soviet Socialist Republic
- van Kleffens, Eelco Nicolaas, Netherlands Minister without Portfolio
- Kleinwaechter, Dr. Ludwig, Austrian Minister in the United States
- Koenen, Bernhard, member of the Executive Committee of the German Socialist Unity Party and Executive Secretary of the Communist Party of Saxony
- Koenig, Général d'Armée Pierre, French Commander-in-Chief in Germany
- Koktomov, Nikolay Petrovich, Counselor of the Soviet Embassy in London; Special Soviet Deputy for Austria, Council of Foreign Ministers
- Koptelov, Mikhail Efremovich, Deputy Political Adviser, Soviet Element, Allied Commission for Austria
- Kotikov, Major General Aleksander G., Soviet Commandant, Berlin; Soviet member on Allied Kommandatura for Berlin
- Koval, Konstantin Ivanovich, in charge of economic affairs in the Soviet Military Administration for Germany
- Kratin, Captain, Soviet liaison officer to the Christian Democratic Union
- Krauland, Dr. Peter, Austrian Minister of Property and Economic Planning
- Kraus, Josef, Austrian Minister of Agriculture and Forestry
- Kretzmann, Edwin M. J., Lieutenant Colonel, Chief, Intelligence Coordination, Office of the Director of Intelligence, United States Forces in Austria
- Kristovics-Binder, Rudolf, a leader in the Austrian Peoples Party

- Kurasov, Colonel General Vladimir Vasilyevich, Commander in Chief of the Soviet Central Group of Forces and Soviet High Commissioner in Austria
- Kurochkin, Colonel General Pavel Alekseevich, Soviet representative on the Coordinating Committee, Allied Control Authority for Germany, July 1946–May 1947
- Lane, Arthur Bliss, United States Ambassador in Colombia, 1942–1944; United States Ambassador in Poland, August 1945–March 1947
- Lawson, William H., Alternate United Kingdom Representative, Austrian Treaty Commission, May–October 1947
- de Lavarene, Christian, French Representative on the Trieste Commission of Inquiry, Council of Foreign Ministers
- Lemmer, Ernst, Deputy Chairman of the Christian Democratic Union in the Soviet Zone of Occupation of Germany
- Leroy-Beaulieu, Paul, Economic and Financial Adviser to the French Commander-in-Chief, Germany
- Leszczycki, Stanisław, Polish Deputy Foreign Minister
- Lightner, Edwin Allan, Jr., Assistant Chief, Division of Central European Affairs, Department of State, November 1946–November 1947; Associate Chief, from November 1947
- Lisicky, Karel, Minister Plenipotentiary attached to Czechoslovak Embassy in London
- Lobedanz, Dr. Reinhold, Chairman of the Christian Democratic Union in Mecklenburg
- Lodge, Henry Cabot, Jr., United States Senator from Massachusetts
- Lovett, Robert A., Under Secretary of State from July 1, 1947
- McAfee, W. D., British Foreign Office; Secretary General of the Deputies for Austria and Germany of the Council of Foreign Ministers
- McDermott, Michael J., Special Assistant to the Secretary of State (Press Relations)
- McIvor, Carlisle C., on the staff of the United States Political Adviser for Austrian Affairs
- McJunkins, Orren R., Chief of the Reparations Section, Industry Branch, Economics Division, United States Military Government for Germany
- McNarney, General Joseph R., Commander in Chief, United States Forces in Europe; United States Military Governor for Germany; United States member, Allied Control Council for Germany, November 1945–March 1947
- McWilliams, William J., Assistant Director, Executive Secretariat, Department of State

- Maisky, Ivan Mikhailovich**, Soviet Ambassador in the United Kingdom, 1932–1943; Assistant People's Commissar for Foreign Affairs of the Soviet Union, 1943–1946; Chairman, Allied Commission on Reparations, 1945
- Mack, Sir William H. B.**, Political Adviser to the Commander in Chief of British Forces of Occupation in Austria; British Minister in Austria from September 1947
- Makin, Norman J. O.**, Australian Ambassador in the United States
- Makins, Roger M.**, British Assistant Under Secretary of State for Foreign Affairs
- Marjoribanks, James A. M.**, Assistant Head, German Political Department, British Foreign Office
- Marshall, George Catlett**, Chief of Staff, United States Army, 1940–1945; on mission in China for President Truman, 1946; Secretary of State from January 21, 1947
- Martin, Edwin**, Acting Chief, Division of Occupied Areas Economic Affairs, Department of State
- Mason, Edward**, Consultant, Office of the Under Secretary of State for Economic Affairs
- Massigli, René**, French Ambassador in the United Kingdom
- Matthews, H. Freeman**, Director, Office of European Affairs, Department of State, December 1944–July 1947
- Mayer, Daniel**, a leader in the French Socialist Party
- Mayhew, Christopher Paget**, British Parliamentary Under Secretary of State for Foreign Affairs
- Merker, Paul**, member of the Executive Committee, German Socialist Unity Party
- Millar, Frederick Robert Hoyer**, British Assistant Under Secretary of State for Foreign Affairs
- Modzelewski, Zygmunt**, Polish Foreign Minister from February 1947
- Molotov, Vyacheslav Mikhailovich**, Minister of Foreign Affairs of the Soviet Union
- Monnet, Jean**, Chairman, French State Planning Commission
- Montgomery, Field-Marshal Bernard Law**, Chief of Staff of British Forces of Occupation in Germany and Military Governor, 1945–1946; Chief of the Imperial General Staff from 1946
- Morris, Brewster Hillard**, Secretary, Office of the United States Political Adviser for German Affairs
- Moses, Robert**, New York City parks and planning official; consultant to the War Department
- Muccio, John Joseph**, on the staff of the United States Political Adviser for Germany, April 1945–March 1947
- Mueller, Dr. Josef**, Chairman of the Christian Social Union and Deputy Minister-President of Bavaria

- Murphy, Raymond, Special Assistant to the Director, Office of European Affairs, Department of State
- Murphy, Robert D., United States Political Adviser for Germany; United States Deputy for Germany, Council of Foreign Ministers
- Nazarov, Lieutenant Colonel, of the Soviet Military Administration for Germany
- Noce, Major General Daniel, Chief, Civil Affairs Division, War Department Special Staff
- Noiret, Général de Division Roger Jean Charles, French Deputy Military Governor for Germany
- Nolting, Frederick E., Jr., Division of Northern European Affairs, Department of State
- Novikov, Kirill Vasilyevich, Director, Second European Division and Member of the Collegium of the Soviet Foreign Ministry; Soviet Representative to the Austrian Treaty Commission, May–October 1947
- Novikov, Nikolay Vasilyevich, Soviet Ambassador in the United States, June 1946–December 1947
- Nuschke, Otto, member of the Christian Democratic Union Executive Committee and Landtag Deputy in Saxony-Anhalt and Brandenburg
- Otto, Archduke of Hapsburg-Lorraine
- Pakenham, Lord, Chancellor of the Duchy of Lancaster
- Panyushkin, Aleksandr Semyonovich, Soviet Ambassador in the United States, from December 1947
- Paris, Jacques-Camille, Minister Counselor of the French Embassy in London
- Patterson, Robert P., Secretary of War, September 1945–July 1947
- Paul, Rudolf, Minister-President of Thuringia until September 1947
- Pauley, Edwin W., Personal Representative to President Truman on Reparations Matters, April 27, 1945 to March 7, 1947; Special Adviser to the Secretary of State on Reparations, April–November 1947; Special Assistant to the Secretary of the Army, from September 1947
- Pavlov, Vladimir Nikolayevich, Personal Assistant and Translator to Foreign Minister Molotov
- Penson, Hubert, Adviser on German Economic Affairs, British Embassy, Washington
- Petersen, Howard C., Assistant Secretary of War
- Pieck, Wilhelm, Co-Chairman of the German Socialist Unity Party
- Pomeroy, Lieutenant Colonel Harold E., United States Member, Allied Secretariat, Allied Commission for Austria
- Ramadier, Paul, French Premier, January–November 1947

- Ramzaitsev, D. F., Soviet Foreign Ministry
- Rankin, Karl L., Counselor of the United States Legation in Austria
- Reber, Samuel, Chief, Division of Western European Affairs, Department of State, March–September 1947; Deputy Director, Office of European Affairs, from September 1947
- Rendel, Sir George William, Superintending Under Secretary, Refugee Department, British Foreign Office, 1945–1947; British Representative to the Austrian Treaty Commission, May–October 1947; from November 1947, British Ambassador in Belgium
- Renner, Dr. Karl, President of the Austrian Federal Republic
- Reuter, Dr. Ernst, leader in the German Social Democratic Party; member of the Berlin Magistrat; elected Oberbürgermeister of Berlin in June 1947 but did not take office
- Reventlow, Count Edvard, Danish Ambassador in the United Kingdom
- Richards, Arthur L., Assistant Chief, Division of British Commonwealth Affairs, Department of State
- Riddleberger, James W., Chief, Division of Central European Affairs, Department of State, January 1944–July 1947; Counselor of Mission, Office of the United States Political Adviser for German Affairs, from October 1947
- Roberts, Frank, Counsellor of the British Embassy in Moscow, 1945–1947; Private Secretary to British Foreign Secretary Bevin from December 1947
- Robertson, Lieutenant General Sir Brian Hubert, Deputy Commander-in-Chief of British Forces of Occupation in Germany; Deputy British Military Governor for Germany, August 1945–October 1947; Commander-in-Chief and Military Governor from November 1947
- Robertson, N. A., Canadian High Commissioner in the United Kingdom
- Roosevelt, Franklin Delano, President of the United States, 1933–1945
- Royall, Kenneth C., Under Secretary of War, November 1945–July 1947; Secretary of War, July 1947–September 1947; Secretary of the Army from September 1947
- Rueff, Jacques, President of the Inter-Allied Reparations Agency
- Ryan, Major General Cornelius E., United States Commandant for Berlin, June–September 1947
- Saillant, Louis, President, Confédération Générale du Travail
- Saint Hardouin, see Tarbé de Saint Hardouin
- Saksin, Georgiy Filippovich, Counselor of the Soviet Embassy in London

- Saltzman, Charles E., Assistant Secretary of State for Occupied Areas, from September 1947
- Scallan, Eugene K., Acting High Commissioner of the Union of South Africa in London
- Schaerf, Dr. Adolf, Austrian Vice Chancellor
- Schroeder, Frau Luise, Acting Oberbürgermeister (Lord Mayor) of Berlin, June 1947–December 1948
- Schumacher, Kurt, Chairman, German Social Democratic Party
- Senin, Ivan Semyenovitch, Vice Chairman of the Council of Ministers of the Ukrainian Soviet Socialist Republic
- Sergent, René, Economic and Financial Adviser to the French Commander-in-Chief, Germany
- Sforza, Count Carlo, Italian Minister for Foreign Affairs
- Silvercruys, Baron Robert, Belgian Ambassador in the United States
- Simić, Stanoje, Yugoslav Foreign Minister
- Skrzypczinsky, Dr. Leo, Minister of Industry in the Soviet Zone of Occupation
- Smirnov, Andrey Andreyevich, Chief, Third European Division (Central Europe), Soviet Ministry for Foreign Affairs; Deputy Minister for Foreign Affairs of the Russian Socialist Federative Soviet Republic
- Smith, H. Alexander, United States Senator from New Jersey
- Smith, Walter Bedell, United States Ambassador in the Soviet Union
- Snyder, John W., Secretary of the Treasury
- Sokolovsky, Marshal of the Soviet Union Vasiliy Danilovich, Chief of the Soviet Military Administration for Germany; Soviet Representative on the Allied Control Council for Germany
- Spaak, Paul-Henri, Belgian Prime Minister and Minister for Foreign Affairs
- Spatz, General Carl, Commanding General, United States Army Air Forces
- Sperling, Fritz, Chairman of the Bavarian branch of the German Communist Party
- Stalin, Generalissimo Joseph Vissarionovich, Chairman of the Council of Ministers of the Soviet Union
- Steel, Christopher Eden, Chief of the Political Division, the Control Commission for Germany (British Element); from November 1947, President of the Governmental Sub-Commission of the British Element
- Steelman, John R., Assistant to President Truman
- Steere, Loyd V., Counselor of Mission, Office of the United States Political Adviser for German Affairs, August 1945–December 1947

- Steidle, Luitpold, Christian Democratic Union leader in the Soviet Zone of Occupation in Germany and Vice President of the Soviet Zone Central Administration for Agriculture
- Steinhardt, Laurence, United States Ambassador in Czechoslovakia
- Stettinius, Edward R., Jr., Secretary of State, December 1944–June 1945
- Stibravy, William J., Assistant Chief, Division of Financial Affairs, Department of State
- Stillwell, James A., Special Assistant to the Under Secretary of State for Economic Affairs, Department of State
- Stirling, Alfred, Australian Minister in the United States
- Strang, Sir William, Political Adviser to the British Military Governor for Germany; from November 1947, Joint Permanent Under Secretary of State in charge of the German Section, British Foreign Office; British Deputy for Germany, Council of Foreign Ministers
- Sutton, Nigel, Secretary-General of the Inter-Allied Reparations Agency
- Taber, John, Congressman from New York; Chairman of the House Appropriations Committee
- Tanguy-Prigent, Pierre, French Minister of Agriculture
- Tarbé de Saint Hardouin, Jacques, Political Adviser to the French Commander in Chief in Germany
- Tarle, Academician Yevgeniy Viktorovich, Soviet historian
- Teitgen, Pierre-Henri, French Deputy Premier
- Thomas, Elbert D., United States Senator from Utah
- Thorp, Willard L., Assistant Secretary of State for Economic Affairs
- Thurston, Walter, United States Ambassador in Mexico
- Todd, Joseph A., Division of Occupied Area Economic Affairs, Department of State
- Torres Bodet, Jaime, Mexican Foreign Minister
- Trivers, Howard, Division of Central European Affairs, Department of State
- Truman, Harry S., President of the United States, 1945–1953
- Tsarapkin, Semyen Konstantinovich, Counselor of the Soviet Embassy in the United States
- Tulpanov, Colonel Sergei I., Head of the Political Department of the Soviet Military Administration in Germany
- Turner, Sir Mark, Economic Adviser on German Economic Matters to the British Foreign Office
- Ulbricht, Walter, Deputy Chairman of the German Socialist Unity Party
- Vandenberg, Arthur H., United States Senator from Michigan; Chairman of the Senate Foreign Relations Committee

- Vilfan, Joža, Yugoslav Permanent Representative to the United Nations
- Voorhees, Tracy S., Special Assistant to the Secretary of War
- Vredenburg, Jonkheer van, Head, Political Department, Netherlands Foreign Ministry
- Vyshinsky, Andrey Yanuaryevich, Deputy Minister for Foreign Affairs of the Soviet Union
- Wailes, Edward T., Chief, Division of British Commonwealth Affairs, Department of State
- Wallner, Woodruff, Assistant Chief, Division of Western European Affairs, Department of State, July 1946–August 1947; Associate Chief from August 1947
- Wang Shih-chieh, Chinese Foreign Minister
- Webb, James E., Director, Bureau of the Budget
- Wehrer, Colonel Albert, Chief, Luxembourg Military Mission in Germany
- Weir, Sir Cecil, President, Economic Sub-Commission, the Control Commission for Germany (British Element); British member, Bipartite (U.S.–U.K.) Economic Panel in Germany
- Wellington Koo, V. K., Chinese Ambassador in the United States
- White, Wallace H., Jr., United States Senator from Maine
- Whitham, G. S., Chief, Reparations, Deliveries, and Restitution Division, Control Commission for Germany (British Element)
- Wierblowski, Stefan, Polish Ambassador in Czechoslovakia
- Wiley, Alexander, United States Senator from Wisconsin
- Wilkinson, Lawrence, Director, Economic Division, Office of Military Government for Germany, United States Zone
- Williamson, Francis T., Assistant Chief, Division of Central European Affairs, Department of State
- Willis, Frances E., Assistant Chief, Division of Western European Affairs, Department of State
- Winiewicz, Jozef, Polish Ambassador in the United States
- Wisner, Frank G., Deputy to Assistant Secretary of State for Occupied Areas Charles Saltzman
- Wolff, Dr. Wilhelm, Chairman of the Christian Democratic Union in Brandenburg
- Wood, Clinton Tyler, Deputy to the Assistant Secretary of State for Economic Affairs, Department of State
- Yelisarov, Colonel Ivan, Deputy Soviet Garrison Commander and Commandant for Berlin
- Yost, Charles W., Counselor of the United States Legation in Vienna from November 1947
- Young, William Hilary, Control Commission for Germany (British Element)

Zadeikas, Povilas, Lithuanian Minister in the United States

Zarubin, Georgiy Nikolayevich, Soviet Ambassador in the United Kingdom

Zheltoy, Colonel General Aleksey Sergeevich, Soviet Deputy High Commissioner for Austria

Zhukov, Marshal of the Soviet Union Georgiy Konstantinovich, Commander-in-Chief of Soviet Forces in Germany and Chief of the Soviet Military Administration in Germany, July 1945–March 1946

I. MEETINGS OF THE DEPUTIES OF THE COUNCIL OF FOREIGN MINISTERS, LONDON, JANUARY 14-FEBRUARY 25, 1947

A. MEETINGS OF THE DEPUTIES FOR GERMANY

C.F.M. Files : Lot M-88 : Box 2079 : CFM Documents

*The Secretary General of the Council of Foreign Ministers (Kelchner) to Various Allied Governments*¹

SECRET

[NEW YORK, December 31, 1946.]

The Council of Foreign Ministers at its recent meeting in New York decided to hold its next meeting at Moscow on March 10, 1947, for the consideration of German and Austrian problems and to appoint Deputies for Germany and for Austria who are to start work in London on January 14.

2. The Council is anxious that the Governments of Allied neighboring States and of other Allied States which participated with their armed forces in the common struggle against Germany should have ample opportunity to express their views on the settlement of German problems which are of interest to them.

3. The Council accordingly hereby invites the . . . Government to communicate in writing at its early convenience to the Deputies for Germany its views on those aspects of the German problem which are of interest to it.

4. The Deputies for Germany will study these expressions of view and submit them, with a report to the Council of Foreign Ministers at its next meeting.

5. If the . . . Government wishes also to present views on the Austrian problem it is requested that such views should be communicated in writing to the Deputies for Austria whose instructions are to proceed with the preparation of a Treaty recognizing the independence of Austria and to submit proposals on this subject at the next meeting of the Council.

¹ The source text, with the blank spaces indicated here, was circulated to the Council of Foreign Ministers by the Secretary General of the Council of Foreign Ministers as document CFM (46) (NY) 80, December 31, 1946, under cover of the following communication :

"Letter despatched on December 31 by the Secretary General of the Council of Foreign Ministers to the Governments of Australia, Belgium, Brazil, Byelo-Russia, Canada, China, Denmark, Czechoslovakia, Greece, India, Luxembourg, Netherlands, New Zealand, Norway, Poland, South Africa, Ukraine, and Yugoslavia."

This invitation was prepared in pursuance of the decision of the Council of Foreign Ministers recorded in Part IV of document CFM (46) (NY) 74, December 12, 1946, *Foreign Relations*, 1946, vol. II, p. 1557.

6. The . . . Government, and the other Governments to which a similar communication is being addressed, will, of course, be given full opportunity if they so desire to supplement their written communications on Germany or Austria by oral presentation to the Deputies concerned.

7. Replies to this communication should be addressed to the Secretariat, the Council of Foreign Ministers, Lancaster House, London S. W. I.

Sincerely yours,

WARREN KELCHNER

740.00119 Council/12-2646

*The Department of State to the Canadian Embassy*²

AIDE-MÉMOIRE

The Department of State acknowledges receipt of the *aide-mémoire* of December 26, 1946³ from the Embassy of Canada commenting on the instructions of the Council of Foreign Ministers to the Deputies for Germany and stating the views of the Government of Canada with respect to participation in the preparation of the peace settlements with Germany and Austria.

The Embassy will recall that the instructions to the Deputies require them to "hear the views of the Governments of neighbouring Allied States and of other Allied States which participated with their armed forces in the common struggle against Germany, which wish to present their views on the German problem." This was intended to give the active Allies the chance to present their views even before the Foreign Ministers started to give consideration to the German and Austrian problems or reached even tentative conclusions on either substance or procedure with respect thereto. In the view of the Department, this will give the active Allies more and not less opportunity at an early stage to participate on the German and Austrian settlements than was given in the case of the treaties with Italy and the ex-satellite states.

² This *aide-mémoire* was handed to the Canadian Ambassador on January 13, 1947.

³ Not printed. It expressed the view of the Canadian Government that the arrangements for the preparation of the draft treaties for Germany and Austria, as approved by the Council of Foreign Ministers, provided an even smaller opportunity for interested governments to participate than did the arrangements for the preparation of the Italian settlement. It was the Canadian Government's desire to find some form of association in the preparation in the German and Austrian settlements more in keeping with Canada's contribution to the war. In particular, the Canadian Government felt that it would be useful for the Deputies of the Council of Foreign Ministers to discuss with the representatives of the smaller powers not only the terms of the settlement with Austria and Germany but also the questions of procedure. The Canadian Government also suggested that the representatives of the smaller powers should be associated on a functional basis in the actual drafting of the treaties (740.00119 Council/12-2646).

The Council of Foreign Ministers has not decided as yet the manner of participation which will be extended to the active Allies at later stages. Indeed the Deputies are specifically instructed to consider questions of procedure with regard to the preparation of the German treaty. So far as the United States Government is concerned, it sees no reason why the Canadian Government in presenting its view to the Deputies on these problems should not present its views as to the most appropriate procedure for dealing with those problems within the general framework within which the Council of Foreign Ministers operates.

The United States Government is sure that the Deputies will give full consideration to the views presented by the Canadian Government, both written and oral. In this connection the Canadian Government will have received the invitation which the Council of Foreign Ministers extended on December 31, 1946 to the Governments of the other active Allies. Of course, representatives of the United States Government are prepared at any time informally to exchange views and discuss with representatives of the Canadian Government any aspects of the German and Austrian problems which the Canadian Government may wish to consider.

Furthermore, the Department of State wishes to emphasize that it is the desire of this Government to make of the London meeting the occasion of a genuine discussion of views with respect to the German and Austrian problems to the end that the other immediately interested Allied Governments have a large and responsible role in the solution thereof. It is for this reason that the Government of the United States hopes that the Government of Canada will respond to the invitation extended on December 31, 1946 and give the Deputies the benefit of Canadian views which have on so many other occasions contributed to constructive solutions of problems of similar gravity.

WASHINGTON, January 11, 1947.

740.00119 Council/1-1547: Telegram

The United States Deputies for Germany and Austria at the Council of Foreign Ministers (Murphy and Clark) to the Secretary of State

SECRET

LONDON, January 15, 1947—11 a.m.

275. Delsec 1110.⁴ From Murphy and Clark. Meeting CFM deputies for Germany and Austria convened at Lancaster House 3 p.m., Janu-

⁴ Communications between the Deputies for Germany and Austria and the Department of State were conducted through the facilities of the American Embassy in London. Telegrams to and from the Deputies were assigned regular London Embassy telegram numbers as well as numbers in the special series (Delsec and Secdel) reserved for messages dealing with the work of the Council of Foreign Ministers.

ary 14.⁵ Foreign Minister Bevin opened meeting with brief remarks, pointing out importance of institution of deputies to which Foreign Ministers had been able in past to refer matters of disagreement for preparation of solutions later adopted. He expressed hope for successful efforts of deputies to clarify issues on Germany and Austria. Re Austrian problem he expressed opinion that breakup of Austro-Hungarian state after first world war had left many problems unresolved since 1918. One of the foundations of European peace was, in his opinion, a Danubian basin which was functioning right economically and politically free. He hoped that between now and Moscow conference a treaty with Austria might be evolved which will not hamper its economic development nor economic relations with other countries.

Re Germany he emphasized that we must above all avoid resurgence in any way of German military power. He feared that the several nations might again begin to court her and expressed great concern not to revive a Germany able to undertake aggressive war. He hoped the conference would not become involved in arguments on procedure and saw present meeting as beginning of long way to be continued in Moscow with presumably subsequent reference of further matters to deputies. Through consultation with lesser Allies, deputies could analyze their advice and by preparatory work enable CFM in Moscow to arrive more directly at settlement which can meet general problems of war-devastated world.

After Bevin withdrew, meeting under chairmanship of Strang exchanged views on machinery and procedure for conference of interest to both sets of deputies. Considerable discussion took place on question of priority of German or Austrian problems. British and US delegations emphasized that study of German and Austrian problems should proceed concurrently with no particular priority to either. Russian delegation proposed discussions begin on Germany and proceed to Austrian question only after definition and order of German work established. Gousev argued his suggestion to begin with German problem was in conformity with sequence of topics in CFM decision of December 12. General Clark supported by Lord Hood refused defer indefinitely discussion of Austrian question. It was finally decided that deputies for Germany would meet first Wednesday⁶ morning and continue on in afternoon meeting if initial question of organization of German work not settled in morning. Firm commitment, however, was made that if deputies were not free to discuss Austrian question Wednesday afternoon, they would meet on this subject morning of

⁵ The meeting reported upon in this telegram was the only joint meeting of the Deputies for Germany and the Deputies for Austria. Subsequent meetings of the two groups of deputies were held separately.

⁶ January 15, 1947.

January 16. General Clark accepted this solution on understanding that thereafter deputies would carry on work concurrently, though not perhaps meeting each day on both subjects.

Ambassador Murphy circulated for consideration in tomorrow's meeting two papers, (1) on suggested structural organization and terms of reference for committees of Council of Deputies for Germany and, (2) on procedure for reception of views of allied states.⁷

Re relations to press it was agreed that in accordance with previous practice of CFM deputies, (1) no press correspondents would be admitted to meetings; (2) Council of Deputies would not normally issue communiques, though such were not excluded; (3) each delegation may individually provide information to the press as regarded necessary by that delegation.

It may be of interest to note that size of Russian delegation handling both German and Austrian affairs is small and that economic affairs for both are apparently being handled by a very junior Russian official.

Pass to War to USFET and USFA for information.

740.00119 Council/1-16:7: Telegram

The United States Deputy for Germany at the Council of Foreign Ministers (Murphy) to the Secretary of State

SECRET

LONDON, January 16, 1947—3 p.m.

315. Delsec 1112 from Murphy. Practically inconclusive all-day meeting of Deputies for Germany⁸ held January 15 on questions of procedure for hearings with Allied States.⁹ Argument centered particularly about memoranda submitted by Australian and South African Governments, both of which made similar proposals regarding procedure for hearings.¹⁰ Chief point common to both proposals was that representatives of countries invited to present views on German and Austrian problems should be present throughout all hearings and

⁷ The proposals under reference here were circulated by the United States Delegation as document CFM(D)(47)(G)8, January 14, 1947, not printed.

⁸ The Deputies for Germany were: United States—Robert Murphy, United Kingdom—Sir William Strang, Soviet Union—Fedor Tarasovich Gusev, France—Maurice Couve de Murville. Mr. Murphy was assisted by a delegation which included Donald Heath, David Harris, Jacques Reinstein, Howard Trivers, and Carmel Offie.

⁹ The discussions reported upon in this telegram constituted the 1st (at 10:30 a.m.) and 2nd (at 3:30 p.m.) Meetings of the Deputies for Germany. Between January 15 and February 25, 1947, the Deputies for Germany held 30 meetings at Lancaster House in London. The Agreed Records of Decisions together with the United States Delegation verbatim minutes of these meetings are included in C.F.M. Files, Lot M-88, Box 2162.

¹⁰ The documents under reference here, the Memorandum presented by the Australian Government to the Deputies, January 13, 1947, CFM(D)(47)(G)5, and the Statement on Procedure by the Government of South Africa, January 14, 1947, CFM(D)(47)(G)7, are not printed.

should participate with deputies in general discussion. British, French and US deputies expressed readiness to adopt proposal for meetings, in interest of closer association between occupying powers and other allies in formulation of peace settlements. Soviet deputy refused give any consideration to proposal arguing that such procedure was in contradiction to instructions set forth in CFM decisions on work of deputies and that Allies were not authorized to make proposals regarding procedure for hearings. He interpreted CFM instructions to imply separate hearings by deputies of representatives of Allied states, one after another. He refused permit Australian representative to present before deputies his views on procedure for hearings, despite specific Australian request in this regard. He also refused consider permitting representatives of other participant governments to be present even only as observers when representative of one of participant countries is presenting orally views of his government. With imperturbable calm and inimitable tediousness, he repeated same arguments throughout day. Meeting ended without tangible result.

As deputies are in receipt of specific requests from Australian representatives for hearing on their memorandum, I suggested that they be informed that the deputies are unable to comply with requests solely due to objection of Soviet deputy. Latter was unwilling to concur and saw no reason for any reply at this stage.¹¹

CFM Secretariat has now received replies from Australia, Canada, Netherlands, Poland, South Africa and Yugoslavia, declaring intention to submit written and oral statements to deputies of their views on settlement of German and Austrian problems.¹² Only statement thus far received is lengthy memorandum from Netherlands Government.¹³

First meeting Austrian deputies takes place morning January 16.¹⁴

¹¹ At their 3rd Meeting, January 16, 1947, the Deputies for Germany again discussed the question of procedure. In telegram 346, Delsec 1115, January 17, 1947, from London, not printed, Murphy reported on the discussion as follows:

"When Soviet deputy indicated no change in his position, I expressed regret US delegation on Soviet position, pointing out that Allied countries in question had been closely associated with US in war and that we should endeavor work closely with them now. I also stated that Gousev's interpretation of wording of CFM instruction to deputies was too literal and indeed contrary to spirit of instructions which aimed rather to encourage these countries in expression and development of their views so that deputies might bring clear and lucid presentation of them to Moscow conference. Strang closed discussion with statement that no decision had been reached and reserving right to raise subject again later." (740.00119 Council/1-1747)

¹² The replies under reference here were those made in response to the letter of the Secretary General of the Council of Foreign Ministers to various Allied governments, p. 1.

¹³ The reference here is to document CFM (D) (47) (G) 9, January 14, 1947, not printed.

¹⁴ For the report on the 1st Meeting of the Deputies for Austria, see telegram 359, Delsec 1117, January 17, from London, p. 112.

Sent Department as 315, repeated Berlin as 21, unnumbered to USFET and USFA. USFET please pass USFA.

[MURPHY]

740.00119 Council/1-2247 : Telegram

The United States Deputy for Germany at the Council of Foreign Ministers (Murphy) to the Secretary of State

SECRET

LONDON, January 22, 1947—noon.

450. Delsec 1128 from Murphy. In January twenty-first meeting¹⁵ deputies continued discussion questions of procedure re preparation peace treaty for Germany (see Delsec 1125, January 18¹⁶).

French Deputy opened discussion by stating that main question is how allied states other than four occupying powers can be effectively associated in work of drafting peace treaty. He cited provisions of Potsdam Agreement, Sec II, paragraph four (I), (II),¹⁷ as enabling CFM to adapt procedure to particular case of German peace settlement. He suggested possible use of allied consultation committee composed of representatives of four powers and representatives of other allied states, analogous to committee of that name established under European Advisory Commission for consultation with other allies re terms of unconditional surrender.

USDel presented oral statement on procedural question. We recorded our belief that CFM desired other allied states directly interested in German problem be afforded during current deputy meetings opportunity for genuine discussion German problem. We stated that invitation extended by CFM on December 31 to 18 allied govts to send representatives to present deputy meetings establishes list of states having direct interest in German problem and therefore under Section II, paragraph 4(I), Potsdam Agreement entitled participate in discussion and study of German settlement. We expressed doubt that limited and formal reception views of 18 govts by deputies at present session meets CFM requirements. Accordingly, deputies should consider recommending to CFM that, subject to CFM action at Moscow Conference, further opportunity be given these other allied states to participate in preparation of peace settlement. If after Moscow Conference deputies were to undertake drafting terms of settlement, it

¹⁵ Under reference here is the 5th Meeting of the Deputies for Germany.

¹⁶ Not printed; it reported upon the 4th Meeting of the Deputies for Germany, January 17, 1947. At that meeting, the Deputies agreed that definite recommendations on questions of procedure regarding the preparation of a Peace Treaty with Germany should be submitted by the Deputies to the Council of Foreign Ministers.

¹⁷ *Foreign Relations*, The Conference of Berlin (The Potsdam Conference), 1945, vol. II, p. 1501.

was tentatively suggested that there might be carried on concurrently (1) discussion of specific problems by committees of experts of both occupying and non-occupying powers, and (2) drafting by deputies in light of Moscow decisions as well as work of expert committees. When final text of draft settlement has been approved by CFM, document would be offered for signatures of both occupying and non-occupying countries. US statement also raised question, purely for discussion purposes, referred to in Delsec 1125 re form of peace settlement, whether a traditional form of peace treaty should be followed or some form of international statute be either imposed on German people or submitted for acceptance by Provisional German Govt or by referendum.

British deputy pointed out that procedure employed for satellite peace treaties not satisfactory re participation of other powers. He agreed with US deputy that procedure of current deputies meetings not adequate for meetings after Moscow Conference, that opportunity must be given other allies for study and discussion of problems of German peace settlement considered by CFM and deputies. He regarded list of invited states as a minimum of those entitled to participate in consultation. He considered US suggestion of committees of experts as useful idea. He asserted two general principles should govern consultation with other allies: (1) there should be consultation at every stage of process of formulating peace treaty; (2) final decision on text of treaty should be made by full conference, not only of four powers, but of all govts concerned.

In ensuing remarks Soviet deputy evaded central issue of effective participation of other allies in formulating peace settlement for Germany. He first raised question as to who would be drafting peace treaty, although it is common understanding as pointed out by other deputies that CFM or perhaps deputies will undertake actual drafting of peace treaty. He indicated view that peace settlement must take form of treaty. It is assumed that Soviet deputy is awaiting instructions on issue of participation of other allies and that Soviet position will be defined in subsequent discussions.

Next meeting scheduled for afternoon January 23 when Australian representative will be heard. Date of Belgian hearing moved from January 29 to January 31 (Delsec 1125). Date of Czech and Greek hearings not yet scheduled.

Deputies deferred to subsequent meeting answer to letter dated January 20 from Canadian High Commissioner ¹⁸ asking that if Can-

¹⁸ The letter from the High Commissioner for Canada in the United Kingdom, N. A. Robertson, to the Secretary General of the Council of Foreign Ministers, W. D. McAfee, which was circulated to the Deputies for Germany as document CFM(D) (47)(G)18, January 20, 1947, is not printed (CFM Files: Lot M-88: Box 2161: Deputies for Germany Documents).

ada submits observation on peace settlement without prior consideration of its comment on procedure¹⁹ (comment similar to Australian and South African, suggesting in particular assistance of other allies in drafting sections of treaty of most concern to them), what assurance will deputies give to Canadian Govt that opportunity will be given in future to discuss settlement with Germany either with deputies or with CFM.

Dept pass to War.

Repeated USPolAd, Berlin 34; repeated USFET unnumbered.

[MURPHY]

740.00119 Council/1-2547: Telegram

The United States Deputy for Germany at the Council of Foreign Ministers (Murphy) to the Secretary of State

SECRET

LONDON, January 25, 1947—noon.

531. Delsec 1140 from Murphy. Although Gousev in high-handed exercise of deputies chairmanship Wednesday evening²⁰ unilaterally instructed Secretary General CFM to notify Australian representative that he could not speak on procedural question. Hodgson, Australian Minister to France, at January 23 hearing presented Australian views in uninhibited fashion, mixing some remarks on substantial German issues with lengthy consideration of procedural question.²¹

Australian representative grounded interest of his Government in German problem in fact that twice in 25 years Australia has sent its

¹⁹ In response to the Council of Foreign Ministers' invitation to the Canadian Government to make known its views on the settlement of German and Austrian problems, the High Commissioner for Canada in the United Kingdom addressed a letter to the Council of Foreign Ministers enclosing a statement of the Canadian Government which suggested certain alternative methods of procedure which, in its view, would provide a more satisfactory means by which Canada could take part in the German peace settlement. The statement of the Canadian Government and the covering letter from High Commissioner Robertson, both dated January 14, 1947, were circulated to the Deputies for Germany as document CFM (D) (47) (G) 6, January 14, 1947. The Statement by the Canadian Government was released to the press in Ottawa on January 16, 1947. Despatch 4753, January 22, 1947, from Ottawa, not printed, which transmitted copies of the Statement of the Canadian Government and a related press release issued by the Canadian Department of External Affairs, reported on the dissatisfaction of the Canadian Government with the procedures for participating in a German settlement (740.00119 EW/1-2247).

²⁰ The 6th Meeting of the Deputies for Germany, January 23, 1947, 3:30 p.m.

²¹ Minister Hodgson's statement of the general views of the Australian Government on the preparation of the peace treaty with Germany was subsequently circulated to the Deputies for Germany as document CFM (D) (47) (G) 25, January 24, 1947, not printed. The views of the Australian Government on the substance of a German settlement were set forth in a memorandum circulated to the Deputies for Germany as document CFM (D) (47) (G) 61, February 14, 1947, not printed. Summaries of the views of the Australian Government on the principal aspects of the German problem were included in the Report by the Deputies for Germany to the Council of Foreign Ministers, February 25, 1947, p. 40.

manhood overseas to fight in European wars. Australian Government regards as a duty to its people full participation in peace settlement with Germany. His Government was also concerned lest there be repetition of Paris Peace Conference, which had not been preceded by adequate consultation between the four powers and other allies, and where consequently allies had been presented with *fait accompli* in form of agreed clauses, with no amendment possible unless four powers agreed.

Australian Government appreciates fact that in contrast with Paris procedure, views of active belligerents are now being heard at start of consideration German problem. He requested adoption of liberal attitude toward Australian proposal regarding procedure for hearings. (Delsec 1112, January 16; Delsec 1115, January 17²²). Three major requests were: (1) Access to all documentation by representatives of countries invited to hearings; (2) Presence at all hearings of representatives of all invited countries; (3) Participation of representatives in general discussion with deputies. Allied countries in question can only play useful part in preparation of German peace settlement, if they engage in discussion of issues and are enabled thereby obtain from outset clear picture of views of others. Australian representative declared that two major facts regarding German problem had to be taken into account: (1) There is no government in Germany, similar to government in Italy and Austria. The longer Germany remains divided in separate zones, more remote becomes time when there will be one German Government to accept terms of peace settlement. (2) Germans are at present unfit to govern themselves. Nothing would be worse than to hasten formation of central German Government in order, for convenience of certain allies, to enable early signing of peace treaty. A German Government forced prematurely to sign peace treaty would, as consequence, lose at once confidence of German people and would be set aside as happened in period after Versailles.

Before propitious time for a peace treaty is reached, interim agreement signed by all allies and imposed on Germans is needed. This interim agreement should establish central German administration, not central government, and outline form of future German state. Such interim agreement is necessitated because impossible to distinguish between problems properly those of AC eventual peace treaty and problems properly those of current occupational administration. Interim agreement is envisaged as an enlarged Potsdam agreement, having what Potsdam lacked, the authority and sanction of all belligerents.

²² Telegram 315, Delsec 1112, January 16, from London, is printed on p. 5. Telegram 346, Delsec 1115, January 17, from London, is not printed, but see footnote 11, p. 6.

Australian representative assumed CFM would work out general principles for interim agreement and peace settlement at Moscow. Regarding association and consultation of active belligerents with four powers, he proposed following: (1) Active belligerents would comment upon and discuss with deputies general directive received from CFM. (2) Assuming diverse committees would be set up under deputies, e.g. political and territorial, disarmament and security, reparations and restitution, etc., representatives of active belligerents would be closely associated in work of some or all of these committees.

Australian representative regarded fixing of German frontier as major political issue. He urged decisions be based on Atlantic Charter and Charter of UN, with reservation respecting application Article II of Atlantic Charter²³ to Germany in view of security and certain economic considerations. Regarding how obtain facts, information should be obtained by above-mentioned committees from Allied Control Authority in Germany. Final decision on such questions as eastern frontier, Saar, etc., should rest with full conference of all belligerents. There should be full discussion of final text and free right to introduce amendments. However, this stage should be a formal matter, since through continuous consultation appropriate unanimity should have been achieved. In closing, Australian representative emphasized that above are his general comments on German problem, that later Australian Govt will present views on specific aspects.

Referring to Australian representatives remarks on question of procedure, Soviet deputy insisted deputies were acting under precise instructions from CFM in New York and deputies were not instructed to discuss substance of German problem now but just to hear views. Also he objected strenuously to Australian charge that Allied powers were presented with *fait accompli* at Paris, since four powers had only prepared drafts, respecting which Paris Conference had full opportunity to make comments and many proposals of Paris Conference had been accepted for inclusion in final treaties.

When Australian representative interposed that he could not understand why four powers had arrogated to themselves authority to draft peace treaties, Gousev answered that this right had been bought with great amount of blood. He declared that apparently Australian representative was not pleased with agreement between four powers on peace treaty, insinuating that Australian representative does not desire see continued cooperation in peace of four powers. Hodgson hotly rejected Gousev's insinuation as misconstruction of Australian view.

²³ The reference here is to the Joint Statement by President Roosevelt and Prime Minister Churchill, August 14, 1941, *Foreign Relations*, 1941, vol. I, p. 367. For documentation regarding the preparation of the Atlantic Charter, see *ibid.*, pp. 341 ff.

USDel welcomed closest association with Australian representatives as with representatives of all other allies in our work here pointing out that the closer the association of all the Allies in the preparation of the peace settlement, the closer will be their cooperation in enforcing peace treaty. British deputies voiced sympathy with Australian view on question of procedure for current hearings as well as later meetings and promised to do best to secure final solution along such lines. Deputies discussed how answer letter dated January 20 from Canadian High Commissioner (Delsec 1128, January 22 ²⁴), since High Commissioner has sent further letter asking postponement Canadian hearings scheduled afternoon January 25, in view no response to his letter of January 20. Soviet deputy declared no assurances of any kind could be given Canadian Govt re future opportunity to discuss German settlement either with deputies or with CFM. I suggested that Canadian Govt did not desire formal guarantee but rather indication of type of discussion they can expect to have with CFM or deputies, in particular re London hearings and that in answer we should offer them benefit of as full discussion of German problem here as could be agreed to by all deputies. Although deputies unable agree on tenor of answer, Secretary General was instructed to draft a reply for consideration at next meeting.²⁵

Deputies will hear views of South African representative afternoon January 24 and of Yugoslav representative afternoon January 25.²⁶

Repeated USPolAd Berlin 38.

[MURPHY]

²⁴ *Ante*, p. 7.

²⁵ Telegram 629, Delsec 1157, January 29, from London, not printed, reported that the Deputies for Germany, at their 9th Meeting, January 28, had been unable to agree upon a written response to the Canadian letter. The Deputies agreed, however, that the Chairman should orally inform the Canadian High Commissioner that the instructions to the Deputies would not permit giving the assurance on the question raised by the Canadian Government but that the Deputies would be glad to hear the Canadian views (740.00119 Council/1-2947).

²⁶ The views of the South African Government were presented to the Deputies for Germany at their 7th Meeting, January 24, by E. K. Scallan, Acting South African High Commissioner in the United Kingdom. Summaries of the views of the South African Government on the principal aspects of the German problem were included in the Report by the Deputies for Germany to the Council of Foreign Ministers, February 25, 1947, p. 40. The South African Delegation also presented to the Deputies for Germany a memorandum outlining proposals for the association of the active belligerent Powers with the further considerations on the problem of Germany. This memorandum, which was subsequently circulated to the Deputies as document CFM(D)(47)(G) 26, January 28, 1947, not printed, set forth proposals similar to those already advanced by the Austrian Government.

The Yugoslav representatives made their presentation at the 9th Meeting of the Deputies for Germany, January 28. Summaries of the views of the Yugoslav Government on the principal aspects of the German problem were also included in the Report of the Deputies for Germany.

740.00119 Council/1-2747 : Telegram

The United States Deputy for Germany at the Council of Foreign Ministers (Murphy) to the Secretary of State

SECRET

LONDON, January 27, 1947—9 p.m.

571. Delsec 1149 from Murphy. Dept may have noted in recent Deputies meetings reference to question of eventual form of peace settlement. (Delsec 1125 Jan 18²⁷). Aim has been to elicit views of other colleagues. Discussion has centered on consideration of advisability of using traditional form of peace treaty or in lieu thereof some form of international statute. French and British Deputies reserved opinion on issue; Soviet Deputy has now handed in official outline of Soviet views which contemplate traditional form of treaty (see Delsec 1142 of Jan 25²⁸).

There has been press speculation on matter centering on unconditional surrender of Germany and disappearance of central German government and question asked whether traditional form of peace treaty is readily applicable to present unique circumstances in Germany. Failure of Versailles Treaty establish enduring framework for pacific relations between victor and vanquished suggests search for more efficacious methods at this time. Liberal Democratic regime which may develop in Germany would be tender plant. If forced to assume before the German people as was Weimar Republic onus of responsibility for signing what would at best be exceedingly severe peace treaty, its chances of survival will be greatly diminished.

For such reasons search for new form for settlement may be desirable. A unilateral imposition might arise from conference of interested powers, from a statute based on Article 53 of Charter or some other act of United Nations.

It has been suggested that arrangement might be in the form of an international statute within the framework of the United Nations. Thus it might take the form of a regional security arrangement (Articles 52 and 53 of the Charter) or a special statute (under Article 107). The present control authority, perhaps modified, supported by reduced occupational forces, might remain as the agency of control and enforcement.

Such arrangement presumably would be drafted by occupying powers in consultation and with concurrence of other interested

²⁷ Not printed; it reported upon the 4th Meeting of the Deputies for Germany, January 17, 1947 (740.00119 Council/1-1747).

²⁸ Not printed; it transmitted the text of the Proposal of the Soviet Delegation on the procedure for the preparation of the peace treaty with Germany (740.00119 Council/1-2547). For the text of the Soviet proposal, circulated to the Deputies as document CFM(D) (47) (G)22 (Revised), January 28, 1947, see p. 15.

powers and might be submitted for approval to the Security Council and, perhaps, to the General Assembly.

There may be advantage to a peace settlement by international statute on an interim basis. It seems unlikely, in view of ever present emotional intransigence, that in near future a treaty solution of the eastern frontier problem would be found acceptable both to German and Polish public opinion. A treaty without just and enduring solution of this problem would be source future danger and complications. One conceivable path of solution to the problem would be placing western zone of territory now under Polish administration under temporary UNO supervision or administration, during a "cooling off" stage. The supervisory or administrative authority might have the task of ensuring that the production of this relatively important agricultural region was made available to Germany on equitable terms. It might explore the possibility of return to these farm lands of limited number of German "expellees" from millions whose absorption poses an as yet unsolved problem for Germany's straitened territory and economy.

Both Potsdam Agreement, Section II, para (I) ²⁹ and CFM decisions at New York regarding agenda for next session ³⁰ appear framed in terms of a traditional peace treaty. What are Dept's views? Guidance would be appreciated. In connection with this suggestion, it is to be noted from telegram Delsec 1140 of January 25 ³¹ that the Australian delegation strongly advised the conclusion of an interim agreement by the interested Allies on the ground that a peace settlement with Germany would be premature under present circumstances.

The procedural steps to arrive at international arrangement or statute would presumably be much the same as those involved in preparation of a peace treaty. Our thoughts here with respect to the procedural steps which Deputies might propose to CFM will be submitted shortly.

[MURPHY]

740.00119 Council/1-2547 : Telegram

The Secretary of State to the United States Deputy for Germany at the Council of Foreign Ministers (Murphy)

SECRET

WASHINGTON, January 28, 1947—6 p.m.

447. Secdel 1266 for Murphy. The Dept desires to give you some guidance with reference to Gousev's proposal quoted in Delsec 1142 ³² in view of the importance of the proposals contained therein:

²⁹ *Foreign Relations*, The Conference of Berlin (The Potsdam Conference), 1945, vol. II, p. 1501.

³⁰ The decisions under reference here were those set forth in document CFM (46) (NY) 74, December 12, 1946, *Foreign Relations*, 1946, vol. II, p. 1557.

³¹ *Supra*.

³² Not printed, but see footnote 28, p. 13.

(1) We do not feel at this stage certainly that we should bind ourselves to a procedure for a German settlement so closely paralleling the procedure followed for the satellite treaties. This is particularly true with respect to the drafting of the "final text of the peace treaty" by the four powers. We are faced with the difficult problem of reconciling Soviet reluctance to be bound by decisions on issues important to them taken by a majority or two-thirds vote of a large number of states and our desire and that of the other Western states that such states should play a real part in formulating and influencing the German settlement. It is the "veto issue" in another form.

(2) We have likewise been giving thought to some possible form of German settlement other than a peace treaty to be signed by a central German Govt. Therefore, we find numbered Par 2 of the Soviet proposal too rigid. It might also be utilized to induce the setting up of a central German Govt. under conditions which would be unsatisfactory to us. The important first step is to reach Allied agreement with regard to the future pattern or "political organization" of Germany rather than a decision at this time that there should be a peace treaty.

The Dept. will be interested in your further reports of discussions on these questions and will welcome your views and suggestions. Meanwhile we do not wish you to accept any proposal thereon without first consulting the Dept on the text.

MARSHALL

CFM Files : Lot M-88 : Box 2161 : CFM(D) (47) (G) Documents

*Proposal of the Soviet Delegation to the Deputies for Germany of the Council of Foreign Ministers*³³

SECRET

LONDON, 28th January, 1947.

CFM(D) (47) (G) 22(Revised)

PROCEDURE FOR THE PREPARATION OF THE PEACE TREATY
WITH GERMANY

In the drafting by the Council of Foreign Ministers of the peace treaty with Germany those members of the Council will participate who were the parties, signatory in Berlin to the instrument concerning the military capitulation of Germany.

The Council of Foreign Ministers will hear the views of the Governments of the neighbouring Allied States and of those other Allied

³³ This proposal was discussed by the Deputies for Germany at their 10th Meeting, January 29, 1947. Telegram 655, Delsec 1162, January 30, 1947, from London, not printed, reported on this discussion and indicated that the British, American and French Delegations had criticized the Soviet proposal as failing to provide due participation of the Allied States in the preparation of the peace treaty (740.00119 Council/1-3047).

The text printed here incorporates certain minor drafting changes in the original Soviet proposal circulated on January 25, 1947, as document CFM(D) (47) (G) 22, not printed.

States which participated with their armed forces in the common struggle against Germany, which wish to present their views on the German problem.

2. When the preparation of the draft peace treaty is completed and a central government is formed in Germany, which will be deemed adequate for the purpose of accepting the said document, the Council of Foreign Ministers will convene a conference for the discussion of the peace treaty with Germany.

The conference will consist of the representatives of those States which took part in the war against Germany with their armed forces, namely: the Union of Soviet Socialist Republics, the United States of America, the United Kingdom, France, China, Australia, Albania,³⁴ Belgium, the Byelorussian Soviet Socialist Republic, Brazil, Czechoslovakia, Canada, Denmark, Greece, India, Luxembourg, the Netherlands, New Zealand, Norway, Poland, the Ukrainian Soviet Socialist Republic, the Union of South Africa and Yugoslavia.

The German Government will be given an opportunity of stating its views at the conference.

3. When the work of the conference is concluded and its recommendations have been considered, the States members of the Council, signatories of the instrument of the military capitulation of Germany, will draw up the final text of the peace treaty.

4. The final text of the peace treaty, thus prepared, will be signed by the representatives of the States represented at the conference.

The text of the peace treaty will thereafter be presented to the other United Nations who are in a state of war with Germany.

5. The peace treaty will enter into force immediately after its ratification by the Allied States, which signed the instrument of the military capitulation of Germany.

The peace treaty is also subject to ratification by the German State.

³⁴ At the 10th Meeting of the Deputies, the inclusion of Albania in this clause of the Soviet proposal was discussed. In telegram 655, Delsec 1162, January 30, 1947, from London, not printed, Murphy reported on the discussion as follows:

"I also raised question of inclusion of Albania in paragraph II, clause 2, as participant at Peace Conference, pointing out that Albania was not included in list of 18 countries invited by CFM to present their views on German problem and that this list determines states entitled to participate in the Peace Conference as Allied neighboring states or other Allied states which participated with armed forces in war against Germany. Soviet deputy replied that his government had received representations from Albania stating Albanian claim to take part in consideration of peace treaty with Germany and that similar messages had been sent to other three powers. He asserted Albanians took part in struggle against both Italians and Germans, that Albania had been associated with other powers in conclusion of Italian treaty and had furthermore participated in Paris reparations agreement. I stated that USDel regarded list of 18 states as definitive and cannot approve inclusion of Albania in list of states entitled to participate in German Peace Conference. While British deputy expressed difficulty in agreeing to inclusion Albania in list, French deputy saw no objection." (740.00119 Council/1-3047)

Telegram 622, Secdel 1279, January 31, 1947, to London, not printed, approved the position taken by Murphy (740.00119 Council/1-3047).

CFM Files : Lot M-88 : Box 2161 : CFM(D) (47) (G) Documents

*Proposal by the French Delegation to the Deputies for Germany of
the Council of Foreign Ministers*³⁵

SECRET

LONDON, 30th January, 1947.

CFM(D) (47) (G) 38

DRAFTING OF THE PEACE TREATY WITH GERMANY: DRAFT PROCEDURE

In accordance with the provisions of the Potsdam Agreement relating to the setting up of the Council of Foreign Ministers, to which the French Government has agreed, the Peace Treaty with Germany is to be drafted by the Council comprising, for this purpose, representatives of the signatory states to the Act of Surrender of Germany. The same provisions have been applied *mutatis mutandis*, as in the drafting of the Peace Treaty with Italy and the Satellite States.

On one point only, the procedure applied heretofore should be changed, for experience has shown that a different method was necessary in this respect. We refer to the participation of the other Allied States.

The object of the following proposals is to determine the conditions in which the other Allied States concerned with the German problem can take part in the drafting of the treaty and define the procedure which should be adopted by the Council of Foreign Ministers when it meets in Moscow on 10th March, 1947.

A list of the States concerned with the German problem referred to hereinafter as the "States concerned", shall be drawn up by the Council of Foreign Ministers, in accordance with its decision of 12th December, 1946 whereby it was agreed to hear the views of the Allied Governments neighbouring on Germany, as well as those of such representatives of the Allied States, whose armed forces took part in the war against Germany, as would wish to express their views.

This procedure should apply at all stages of the study of the German problem.

I. COUNCIL OF FOREIGN MINISTERS

A. According to paragraph 4 of the above mentioned part of the Potsdam Agreement, "each time the Council examines a question of direct interest to a State not represented on the Council, such State

³⁵ This proposal was first discussed in detail by the Deputies for Germany at their 14th Meeting, February 5, 1947. In reporting on this meeting in telegram 804, Delsec 1190, February 6, 1947, from London, not printed, Murphy commented upon the "various inadequacies" of the French proposal in part as follows:

"In fact, French deputy's oral justification made proposal appear even more clearly as elaborate mechanism for creating illusion of association of other Allies in peacemaking, while denying free general discussion which should be substance of real participation. French deputy reiterated several times general aim to avoid anything which transforms meetings of CFM or of deputies into a general discussion, into something like a permanent conference of Allied Governments." (740.00119 Council/2-647)

shall be invited to send representatives to take part in the discussion and study of the questions”.

B. An information and consultation committee of the Allied Governments shall be set up for the duration of the session of the Council. It shall include the Foreign Ministers' Deputies and representatives appointed by those of the States concerned that wish to take part.

This Committee shall meet each time the Council decides to bring a matter concerning Germany to the knowledge of the States concerned. It shall be informed of the progress of work in connexion with such matter. The principal documents relating to the matter shall be submitted to it. It shall obtain the comments of the States concerned.

II. CONFERENCE OF DEPUTIES

The Conference of Deputies shall base its work on the general instructions received from the Council of Foreign Ministers. The representatives of the States concerned shall take a more active part in this work than they do in that of the Council.

A. In accordance with the procedure provided for by Article 4 A of the above mentioned Potsdam Agreement, the Deputies may hear the States concerned separately on any given question. Two provisions shall allow for the other States being more closely associated with such hearing:

With the agreement of the Government concerned.

1. Communications in writing from the States submitting their views to the Deputies shall be brought to the knowledge of the representatives of all the other States concerned.

2. The representatives of the other States concerned may attend the hearing in an observing capacity, should they so wish.

B. The Foreign Ministers' Deputies shall co-operate with each of the States concerned, in the study of questions of direct interest to them, by setting up committees to which special representatives shall be appointed.

- a) A political committee
- b) An economic committee

Each time the Conference of Deputies approaches the discussion of a problem of direct interest to other States, it shall refer the study of such problem to one of these committees and provide this committee with a list of the States that are to be invited to take part in its work in connexion with the matter under consideration. For instance, the political committee shall invite the Netherlands Government to appoint a representative to follow the work of the experts entrusted with the study of the Dutch/German frontier.

Ad hoc committees may be set up for each of the questions under consideration, so as not to hold up the work of the conference of Deputies.

C. An Information and Consultation Committee shall be set up for the duration of the sessions of the Conference of Deputies to keep the representatives of the States concerned informed as to the progress of work in connexion with all questions, and to receive their remarks in accordance with the procedure provided for above for the Information Committee of the Council of Foreign Ministers.

III. PEACE CONFERENCE

The above procedure shall make it possible to deal with most of the claims presented by the States concerned, particularly by providing them with the principal documents relating to the work of the Council, as such work progresses, and by enabling them to submit their comments in due time.

More complete documents shall be placed at their disposal at the opening of the general Conference to be convened by the Council of Foreign Ministers as soon as work in connection with the settlement of the German problem will have progressed sufficiently.

With this reservation, the work of this Conference as a whole shall take place in accordance with precedents established at the Paris Conference.

The Council of Foreign Ministers shall meet again after the General Conference to work out final decisions relating to the Peace Treaty with Germany.

740.00119 Council/1-3147 : Telegram

The United States Deputy for Germany at the Council of Foreign Ministers (Murphy) to the Secretary of State

SECRET
URGENT

LONDON, January 31, 1947—4 p.m.

688. Delsec 1169 from Murphy. In response to oral communication transmitted by me as chairman, deputies (Ref Delsec's 1157,³⁶ 1141,³⁷ 1140,³⁸ 1128; ³⁹ Secdel 1274 ⁴⁰) Canadian High Commissioner has sent letter January 30, attaching memorandum by Izluco [apparent garble] on German peace settlement and also statement by Canadian FonMin ⁴¹ to House of Commons, Ottawa, January 30, dealing with procedural question and Canadian participation in peace settlement. In this statement Canadian Govt announce that without prejudice to later representations on subject, it is submitting preliminary views

³⁶ Not printed, but see footnote 25, p. 12.

³⁷ Not printed.

³⁸ *Ante*, p. 9.

³⁹ *Ante*, p. 7.

⁴⁰ Not printed.

⁴¹ Louis St. Laurent.

on German settlement in written memorandum to deputies, but since Canadian representative not granted privilege of discussion in present hearings, no advantage seen in Canadian representative making a formal appearance for oral statement before deputies. I am circulating Canadian letter with attachments at deputies meeting today.⁴²

For Dept's background information, I have had in past days several informal discussions with Canadian High Commissioner and have been following matter thus in close and friendly fashion with him. When Canadian High Commissioner asked my personal opinion as to whether Canadian Govt should submit memorandum in view of dissatisfaction re procedure at present hearings, I urged this be done, in order that deputies might have benefit of Canadian views on peace settlement with Germany. I also urged that Canadian representative should appear before deputies if just in order make an oral protest against present procedure, but Canadian Govt has apparently regarded abstention from oral hearings as more effective form of protest.

Repeated USPolAd Berlin 61, AmEmbassy Paris 64, AmEmbassy Ottawa 2.

[MURPHY]

740.0011 EW (Peace)/2-347: Telegram

The Ambassador in Iran (Allen) to the Secretary of State

SECRET

TEHRAN, February 3, 1947—5 p.m.

87. With reference my immediately preceding telegram regarding the Iranian Government's request to be admitted to the discussions concerning the peace treaty with Germany,⁴³ I wish to recall that when a similar request was received concerning Iran's admission to the Paris Conference last summer, the US supported the request. For some unknown reason, however, the Iranian public gained the impression that the Soviet Union was the great power which took the leading role in obtaining Iran's admission. It would be desirable if the US supports Iran requests again, for our representative to speak first on behalf of Iran if possible.

⁴² The Canadian letter under reference here was circulated to the Deputies as document CFM(D) (47) (G) 41, January 30, 1947, not printed. Summaries of the views of the Canadian Government on the principal aspects of the German problem were included in the Report by the Deputies for Germany, February 25, 1947, p. 40.

⁴³ Telegram 86, February 3, from Tehran, not printed, transmitted the text of a letter of January 30, 1947, from Iranian Prime Minister Ahmad Qavam to Ambassador Allen, not printed. The letter requested the United States Government to use its good offices to arrange for Iran to be invited to attend the meetings of the Deputies for Germany (740.0011 EW (Peace)/2-347). Substantially the same request was contained in letter No. 2127, February 1, 1947, from the Iranian Ambassador to the Secretary of State, not printed (740.00119 Council/2-147).

While Iran may have no better claim for participation in the conference than a number of other countries which have also not been invited, I wish to report merely that the Government and people of Iran view the question as of much greater importance than the Paris meeting. Iran was at war with Germany. Any nation which supports Iran's request to be present will gain tremendous good will here, and considerable public sentiment will arise against any of the great powers which opposes Iran's presence.

Since the US has always favored a wide participation by small powers in conferences of this kind, the Iranians feel confident that the US will support their request to attend the London Conference.

I may also recall that while Iran was not invaded by the enemy, Iran sustained more foreign troops on her soil throughout the war than some of the invaded countries, and her territory was used conspicuously in the war effort. It seems to me that these considerations would entitle Iran to be included if the list of participating powers is broadened.

Sent Dept as 87; repeated London as 13.

ALLEN

740.00119 Control (Germany)/2-447

The United States Deputy for Germany at the Council of Foreign Ministers (Murphy) to the Director, Office of European Affairs (Matthews)

PERSONAL AND SECRET

[LONDON,] February 4, 1947.

DEAR DOC: The present session of the Deputies for Germany is now at the half-way mark and it is high time that I attempt to fill in some of the gaps necessarily left by the formal reporting. I trust that the telegrams have been useful and that the official papers have been arriving in proper time.

By way of an introductory assessment I think it would be correct to say that, although we now have a fairly substantial dossier of the views of the non-occupying powers, our affairs have gone on in a somewhat stilted and perfunctory manner.

In line with my understanding of the Department's views I had hoped that the meetings with the representatives of the invited countries might be the occasion for a fruitful exchange of ideas. Couve de Murville and Strang were equally intent on a profitable discussion. The latter particularly supported the propositions submitted by the Australians, viz., that the invited representatives attend all the meetings, that all matters be freely and fully discussed, that all the documents be circulated, and that the Deputies participate in the discussions with the invited representatives.

Gusev, however, was adamantly opposed to such an interpretation of our instructions as set forth in the New York "Decisions".⁴⁴ On the basis of a literal interpretation of Article IVa of that document he would agree to nothing more than hearing one by one the separate presentations of views and asking questions.

The consequence is that we usher in the deputations *seriatim*, hearing their statements (mimeographed copies of which are normally before us at the time), raise a few questions, and usher them out. The general character of the process is rather discouraging, I believe, to the representatives who appear before us. In the first place they perforce are exposing their own ideas without systematic knowledge of what the other governments, both occupying and non-occupying, are thinking about these same problems and they go away with no revelations other than those which they have to divine from the nature of the questions put to them.

More important, however, than the embarrassments of the formal sessions is the fact that virtually all of the invited governments had been expecting to play a larger role, a more tangibly effective role, in settling German affairs than is vouchsafed to them under our procedures. They are all now asking what next. Even the Yugoslavs, not distinguished for independent thinking in the presentation of their views, intimated that they would wish to say more at a subsequent date. The Australians, the South Africans and the Belgians have been pointedly precise in their ideas as to how both these present meetings and future relations between the two orders of Powers should be conducted. And, as you know, most emphatic criticism has come from the Canadians.

In the face of these insistent expressions Gusev has maintained his stand on the instructions emanating from the New York meeting. In his *ex cathedra* opinion hearing the views of the invited powers on "the German problem" is one matter separated from questions of procedure by the unbridgeable chasm which stands between paragraphs a and b of rubric IV. The non-occupying powers cannot presume to have views, and certainly cannot be allowed to express views, on procedural matters for this or for later stages of the German settlement; by the immutable law inscribed in this fourth rubric consideration of procedure is a reserved intellectual endeavor. So emphatic has my Soviet colleague been in this conviction that the evening before the Australian presentation he called up Colonel Hodgson and, in his capacity of chairman for the week, forbade reference to questions of procedure.⁴⁵

⁴⁴ Document CFM(46)(NY)74, December 12, 1946, *Foreign Relations*, 1946, vol. II, p. 1557.

⁴⁵ For the report by Murphy on the presentation made by the Australian representative at the 6th Meeting of the Deputies for Germany, see telegram 531, Delsec 1140, January 25, from London, p. 9.

Gusev's attitude toward the Canadians, in turn, was even more severe. The first paper submitted by the Canadian High Commissioner related to matters of procedure. When he learned that no comments on substance would be in order the High Commissioner wrote a note asking "what assurances are the Special Deputies prepared to give to the Government of Canada" with respect to future discussions. It was perhaps ill-advised language which the Canadians used and Gusev construed it as impertinent and vetoed every suggestion for a written reply.⁴⁶

The general problem of future relations between the occupying and non-occupying powers in the settlement with Germany has come forward as a matter of major concern in the preparation of the report of the Deputies. You will have seen the texts of the Soviet and French proposals which I sent by telegram as well as a summary report of the discussions.⁴⁷ The former project will certainly receive no enthusiastic applause from the non-occupying powers who will see in it substantially a restatement of previous—and unsatisfactory—CFM practices. I find the French text confused and deceptive in its Byzantine complexity. The paper which Strang has promised has not yet appeared but it will go much farther in its proposals for the active participation of the non-occupying belligerents.

I assume that you will agree with me in my belief that the present hearings will neither meet our own ideas as to the role of the smaller allies nor satisfy their desire for more active participation. Also that you will concur in the view repeatedly stated in the Deputies' meetings that the actual drafting and the final decisions should be vested in the CFM. The solution must be sought, then, in some form of group discussion and study eventuating in a recommendation or a vote which would be advisory rather than mandatory. Such a plan would, I take it, involve a certain number of committees and perhaps even field commissions composed of representatives of at least some of the non-occupying powers under the chairmanship of the CFM Deputies and their subordinates. You will note that the South Africans in their paper CFM(D) (47) (G)26⁴⁸ make a suggestion which may merit further study as a basis for action.

We are mulling over these questions here and I hope that I can put some views up to the Department very shortly. We might find a resolution of the problem in concurrent discussions with the non-occupying powers and negotiations *à quatre*. If there is agreement that final

⁴⁶ Regarding the Canadian proposals and request under reference here, see telegrams 450, Delsec 1123, January 22, and 531, Delsec 1140, January 25, both from London, pp. 7 and 9, respectively.

⁴⁷ The references here are presumably to documents CFM(D) (47) (G) 22, January 23, and CFM(D) (47) (G)33, January 30, pp. 15 and 17, respectively.

⁴⁸ The document under reference here is not printed, but see footnote 26, p. 12.

decisions rest in the CFM I take it that there is some possibility of pulling the Russians along the road of systematic consultation.

As for the general outlook a month before the Moscow sessions I might refer to the contrast between the French and the British. The former, as you know, are turning out their proposals, three of which have now come to me, while the latter seem to be at a loss for ideas as to what to do next. I get the impression that they may regret the Moscow meeting and are making no very substantial preparations for it. Certainly they will not wish the CFM to go so far in making decisions as to embarrass them in their present support of thorough discussion of German questions with the non-occupying powers in all future stages of the settlement.

Our third ally is in the position of asking things—and particularly reparations out of current production—while “not always” seeking political objectives identic with ours. We should perhaps not be in too big a hurry with the final settlement hoping in the interval to strike a better bargain.

I hope [etc.]

ROBERT MURPHY

CFM Files: Lot M-88: Box 2161: CFM(D) (47) (G) Documents

*Proposal by the United States Delegation to the Deputies for Germany of the Council of Foreign Ministers*⁴⁰

SECRET

LONDON, 10th February, 1947.

CFM(D) (47) (G) 53

QUESTIONS RELATING TO GERMANY: PROCEDURE

1. Not later than four weeks after the meeting of the Council of Foreign Ministers in Moscow Deputies for Germany should be con-voked to study and discuss problems involved in the German settle-ment and to prepare a first draft of the settlement. They would be guided in their work by specific directives of the Council of Foreign Ministers and by decisions with respect to the aims and principles, methods, priorities which the Council of Foreign Ministers may agree upon in the Moscow meeting.

2. The Council of Foreign Ministers would invite the Governments of Australia, Belgium, Brazil, Byelorussia, Canada, China, Czecho-slovakia, Denmark, Greece, India, Luxembourg, Netherlands, New

⁴⁰ This proposal was first discussed by the Deputies for Germany at their 18th Meeting, February 11, 1947. At this meeting, reported upon in telegram 936, Delsec 1221, February 12, 1947, from London, not printed, Murphy explained that it was the purpose of the United States proposal to obtain the participation of the Allied states on the working level to the greatest extent possible. For this reason, the United States had proposed the participation by Allied representatives in the membership of standing committees working on the various aspects of German problems. The United States was also suggesting a certain degree of German participation. After the Deputies had obtained the benefit of these various views, they would prepare a draft instrument of settlement and submit it to the Council of Foreign Ministers (740.00119 Council/2-1247).

Zealand, Norway, Poland, South Africa, Ukraine and Yugoslavia to send representatives to associate themselves in these studies and discussions in accordance with procedures hereinafter set forth.

3. The Deputies should form four standing committees with, initially, the following subcommittees:

a) Committee on the Political and Constitutional Structure of Germany.

(1) Subcommittee on Constitutional Structure.

(2) Subcommittee on Democratization.

b) Committee on Territorial Adjustments and Problems.

(1) Subcommittee on Eastern Boundaries and Territorial Adjustments.

(a) Commission of Inquiry to examine into conditions in German territory now under Polish administration.

(2) Subcommittee on Netherlands Territorial Claims.

(3) Subcommittee on the Territorial Claims of Belgium and Luxembourg.

(4) Subcommittee on the Saar.

(5) Subcommittee on Czechoslovak Territorial Claims.

c) Committee on the Economic Organization of Germany and Reparations.

(1) Subcommittee on Economic Organization and Controls.

(2) Subcommittee on Reparations, Level of Industry, Standard of Living.

(3) Subcommittee on Control of the Ruhr.

d) Committee on Disarmament and Demilitarization.

(1) Subcommittee on Duration, Form and Strength of Military Occupation.

(2) Subcommittee on United States Draft Disarmament and Demilitarization Treaty.

4. Representatives of the four Occupying Powers would be the members of, and exercise by rotation the chairmanship of, the standing committees. In addition each Deputy would appoint one member to each committee from among the representatives of the invited Powers. In the discussion and study of particular problems the Deputies jointly may also appoint as additional members experts of countries which are directly interested in a given problem. The Deputies will decide what countries are directly interested in a given problem. The Deputies may appoint additional subcommittees *ad hoc* which may include representatives of the invited Powers to study particular problems and similarly may appoint and despatch commissions of inquiry to areas under study.

The committees and subcommittees should prepare studies and reports on matters falling within their terms of reference. The work of the committees, subcommittees and commissions would be directed and coordinated by the Deputies.

5. Unless otherwise agreed by the Deputies, the subcommittees would normally consist of four members. Each Deputy would appoint

one member. The Deputies may also appoint to membership representatives of countries which are directly interested in a given problem under study.

6. The representatives of the invited Powers would promptly receive copies of all documents emanating from the committees, subcommittees and commissions of inquiry. They would also have the right to present views orally or in writing and to ask questions orally or in writing on the work of the committees, subcommittees and commissions of inquiry. Representatives of all the invited Powers would be admitted when any one of their number was presenting the views of his Government.

7. The Deputies would invite the submission of the views of competent German authorities and experts at the committee level. In the absence of a central German Government such German authorities may include, for example, leaders of approved democratic parties, trade union officials, and officials of the several state or provincial governments.

8. Any state a member of the United Nations and at war with Germany would be given opportunity upon its own request to present to the Deputies at their future meetings its views on the German problem.

9. Concurrently with the work and discussion of the committees, the Deputies would draft the clauses of the instrument, or instruments, of settlement, giving due consideration to the views expressed by the representatives of the invited Powers. Upon completion of a draft text they would submit it for the information of the representatives of the invited Powers. With such changes as they may consider appropriate following consideration of the views of the invited Powers, the Deputies would submit their draft text to the Council of Foreign Ministers.

740.00119 Council/2-1247: Telegram

*The United States Deputy for Germany at the Council of Foreign Ministers (Murphy) to the Secretary of State*⁵⁰

SECRET

LONDON, February 12, 1947—5 p.m.

URGENT

957. Delsec 1222 from Murphy. At February 11 meeting,⁵¹ deputies for Germany first considered problem of method for drafting report to CFM on views of allied governments.

⁵⁰ Telegram 743, Secdel 1295, February 13, 1947, to London, not printed, replied to this message in part as follows:

"We agree your views on form and substance of deputies' report to CFM on views other Allied Govts. We also approve your not pressing matter, particularly as it is desirable at this stage to give Gousev opportunity concentrate on Austrian treaty." (740.00119 Council/2-1247)

⁵¹ This was the 18th Meeting of the Deputies for Germany.

Drafting committee referred to deputies following disagreement re preparation of Part II A of outline (Delsec 1193, February 7⁵²) :

Soviet delegate held that views of allied governments should be set out consecutively under each of headings in this section, and principally by means of quotations from memoranda of these governments. US and British delegates preferred compile under each heading of Part II A single integrated report giving general synopsis of views of allied governments on subject in question. French delegate was willing accept either method.

In explaining US position, I stated that mechanical exposition of quotations from memoranda would not, in our opinion, fulfill Department's instructions to submit a "report". Balanced integrated evaluation of views of other allies would best facilitate and promote work of the Ministers. Soviet deputy insisted that Foreign Ministers desire receive views of allied governments and not statements about these views and that deputies were not instructed to give analysis and make proposals re views of allied governments. I pointed out that ACA authorities, operating under a similar instruction, are not interpreting their instructions so rigidly and are including recommendations.

British deputy declared that he did not regard CFM instructions as calling upon deputies to evaluate or pass judgment upon substance of views expressed by allied governments, but that he did believe that report framed along integrated lines would facilitate study of documents by Foreign Ministers. He expressed readiness, however, to accept French suggestion that report be drawn up under various headings, country by country, proceed by way of summary and, if necessary, including key citations. In view of British, French and Soviet alignment against USDel on this issue, I agreed to this method for report, reserving right to include in report under each heading whatever deemed desirable by USDel.

It was also agreed, following Soviet suggestion, that views of countries should be given under each heading in alphabetical order rather than in any systematic order based on contents. Hence I fear that final quadripartite report may be for most part thoughtless recitation of diverse views. We will proceed independently, however, to prepare a coherent report on allied views for Secretary's use at Moscow.⁵³

⁵² The establishment of a committee to draft the report of the Deputies is described in the penultimate paragraph of telegram 616, Delsec 1153, January 28, from London, not printed. The first report of the Drafting Committee setting forth an outline of the proposed Report, CFM(D) (47) (G) 44, February 4, 1947, not printed, was approved with minor amendments at the 15th Meeting of the Deputies for Germany, February 6, 1947. The telegram under reference here, which is not printed, reported on the content of that outline of the Report.

⁵³ For the text of the Report of the Deputies for Germany to the Council of Foreign Ministers, February 25, 1947, see p. 40. For Murphy's report to the Secretary of State, March 1, 1947, see p. 109.

Separate telegram follows on discussion of US proposal on procedure.⁵⁴

Repeated Paris 105; Berlin 103; Moscow 36.

[MURPHY]

CFM Files : Lot M-88 : Box 2161 : CFM(D) (47) (G) Documents

*Proposal by the United Kingdom Delegation to the Deputies for Germany of the Council of Foreign Ministers*⁵⁵

SECRET

LONDON, 12th February, 1947.

CFM(D) (47) (G) 55

PROCEDURE FOR PREPARATION OF PEACE TREATY WITH GERMANY

1. The preparation of a Peace Treaty with Germany will be undertaken by the Council of Foreign Ministers, composed, for this purpose, of the members of the Council representing those States which were signatory to the Declaration of Unconditional Surrender of Germany. This work will be carried out by the members of the Council acting either directly or through their Deputies, and in consultation with representatives of the Governments of neighbouring Allied States and of other Allied States which participated with their armed forces in the common struggle against Germany. The Allied States mentioned in the preceding sentence, hereinafter referred to as "the Allied States", are the following:—

Australia, Belgium, the Byelorussian Soviet Socialist Republic, Brazil, Canada, China, Czechoslovakia, Denmark, Greece, India, Luxembourg, the Netherlands, New Zealand, Norway, Poland, the Ukrainian Soviet Socialist Republic, the Union of South Africa and Yugoslavia.

2. The Council of Foreign Ministers will at an appropriate stage hear the views of the representatives of Governments of other Allied belligerent and co-belligerent States.

3. For purposes of the consultation referred to in the second sentence of paragraph 1:

(i) The Council of Foreign Ministers will afford to the representatives of the Allied States full opportunity to present to the Deputies or to the Council of Foreign Ministers, as the latter may think appropriate, in writing or orally in the presence of representatives of others of the Allied States wishing to attend as observers, any views which they may wish to present on the German problem. Communications

⁵⁴ The United States proposal under reference here was document CFM(D) (47) (G) 53, February 10, 1947, p. 24. Telegram 936, Delsec 1221, February 12, 1947, from London, is not printed, but see footnote 49, p. 24.

⁵⁵ This proposal was discussed in detail by the Deputies for Germany at their 19th Meeting, February 12, 1947. Murphy reported upon the meeting in telegram 997, Delsec 1228, February 13, 1947, from London, not printed (740.00119 Council/2-1347).

in writing from the Allied States presenting their views will be brought to the knowledge of the representatives of the other Allied States. It will be open to representatives attending as observers to make additional comment either orally or in writing upon submissions offered by representatives of other Allied States.

(ii) The main conclusions, directives and other principal documentation of the Council of Foreign Ministers relating to the preparation of a Peace Treaty with Germany, including recommendations, drafts and other principal documentation of the Deputies, will be communicated to the representatives of the Allied States, each of whom will be entitled to comment on such documentation, in the manner provided in paragraph (iii) below. They will also be entitled, in the manner provided in paragraph (iv) below, to participate in the discussion and study of matters of direct interest to their respective Governments.

(iii) In order to give effect to the first sentence of paragraph (ii), an Information and Consultation Committee will be set up for the duration of the sessions of the Council or of the Deputies, composed of the Deputies and of representatives appointed by those of the Allied States wishing to take part. The Committee will be supplied by the Council of Foreign Ministers and by the Deputies with the documentation referred to in paragraph (ii) with the object of keeping the representatives of the Allied States in touch with the progress of the work of the Council and the Deputies in connexion with the preparation of a Peace Treaty. The members of the Committee will be entitled to comment in writing or orally upon any matter treated in the documents brought to their knowledge.

(iv) The Council of Foreign Ministers or the Deputies will, as found necessary, appoint committees to consider particular questions forming part of the subject-matter of the Peace Treaty. Such Committees will be composed of representatives of the four Powers and, at the invitation of the Council of Foreign Ministers or of the Deputies, of a convenient number of representatives drawn from the Allied States, including those with a direct interest in the particular matter under study.

4. When the Council of Foreign Ministers has agreed upon the general lines of the draft Peace Treaty, having given due regard to the views expressed by the representatives of the Allied States, the Council of Foreign Ministers, consisting of the Foreign Ministers of the United Kingdom, U.S.S.R., U.S.A., France and China, will call a conference to discuss the draft of the Peace Treaty with Germany. The Conference will be composed of representatives of the convening Powers and of the other Allied States enumerated in paragraph 1.

If at the time of the Conference there exists a German Government adequate for the purpose of accepting a Peace Treaty, representatives of the German Government will be given an opportunity to express their views at this Conference.

In any event, before a Peace Treaty is signed by a German Government, representatives of that Government will be given an opportunity to express their views on the draft Peace Treaty.

5. When the work of the Conference is concluded and its recommendations have been considered, the representatives of those States which were signatory to the Declaration of Unconditional Surrender of Germany will meet again to work out final decisions relating to the Peace Treaty with Germany.

6. The final text of the Peace Treaty so established will be signed by representatives of States represented at the Conference, including Germany. The text of the Peace Treaty will then be submitted for signature to other members of the United Nations in a state of war with Germany.

7. The Peace Treaty will enter into force immediately after it has been ratified by the Allied States who signed the Declaration of Unconditional Surrender of Germany. With respect to each other Allied signatory, the Treaty will come into force upon the date of the ratification by that Allied signatory.

CFM Files : Lot M-88 : Box 2161 : CFM(D) (47) (G) Documents

*Proposal of the Soviet Delegation to the Deputies for Germany of the Council of Foreign Ministers*⁵⁶

SECRET

LONDON, 12th February, 1947.

CFM(D) (47) (G) 56

PROCEDURE FOR THE PREPARATION OF THE PEACE TREATY WITH
GERMANY

I.

ORDER OF THE PREPARATION AND DRAFTING OF THE PEACE TREATY WITH
GERMANY BY THE COUNCIL OF FOREIGN MINISTERS

[The text of this section is identical with the text of the previous proposal of the Soviet Delegation, document C.F.M.(D) (47) (G) 22 (Revised), January 28, 1947, page 15, with one exception. The second, unnumbered paragraph of CFM(D) (47) (G) 22(Revised), which begins "The Council of Foreign Ministers will hear the views . . .", is not included in this section. It appears instead, in a slightly amended form, as the first paragraph of Section II of this document.]

II.

CONSULTATION OF THE COUNCIL OF FOREIGN MINISTERS WITH THE ALLIED
GOVERNMENTS AND THE INFORMING OF THE LATTER ON THE QUESTIONS
OF THE PREPARATION OF THE PEACE TREATY WITH GERMANY

1. The Council of Foreign Ministers will hear the views of the Governments of the Allied States neighbouring on Germany and of other Allied States which participated with their armed forces in

⁵⁶ This proposal was considered in detail by the Deputies for Germany at their 19th, 20th, 21st, and 25th Meetings, February 12, 13, 14, and 19, respectively.

the common struggle against Germany and wish to express their views on the German problem.⁵⁷

2. The Representatives of the Governments of the countries which were under German occupation, as directly interested countries will, in accordance with the decision of the Council of Foreign Ministers, be invited in each separate case to take part in the discussion and study of the question, directly affecting the interests of a given country.

The directly interested countries are those countries which were under German occupation, namely: Albania,⁵⁸ Belgium, Byelorussian S.S.R., Denmark, Czechoslovakia, Greece, Luxembourg, Netherlands, Norway, Poland, Ukrainian S.S.R., and Yugoslavia.

3. The Council of Foreign Ministers will set up a Standing Committee consisting of the Representatives of the Foreign Ministers of the Countries in whose name the Act of military surrender of Germany was signed, with a view to consulting with the Allied Governments and informing them on the questions of the preparation of the peace treaty with Germany.

4. The tasks of the Standing Committee will be as follows:

a/ Consultation with the Representatives of the Allied Governments on the questions set out in the memoranda and oral statements of the Allied Governments on the German problem.

b/ Discussion with the experts of the Allied Governments at a meeting of the Standing Committee of separate questions of special interest to individual Allied countries.

c/ Informing of the Allied Governments on the work of the Council of Foreign Ministers on the preparation of the Peace Treaty with Germany. The order and extent of information will be determined by the Ministers or their Deputies.

⁵⁷ In telegram 998, Delsec 1229, February 13, 1947, from London, not printed, Murphy reported on the 19th Meeting of the Deputies for Germany. With respect to the discussion of this paragraph of the Soviet proposal, Murphy reported as follows:

"Referring to paragraph 1, US delegate inquired whether the phrase 'CFM will hear the views' referred to present or future hearings. Not evading issue as previously Soviet deputy replied that reference in paragraph 1 is not limited to present hearings. Referring to previous discussion in which Soviet deputy sought to define states having direct interest in German problem in same terms as in present proposal, I reiterated that geographical limitation was improper and that such definition was unacceptable. In this connection I mentioned in particular Canada's direct interest in German problem as exemplified by her declaration of war against Germany in September 1939. Soviet deputy replied that geography had placed Germany in center of Europe and this geographical location had resulted in several countries suffering such devastation as will last several generations. Germans were never in Canada nor in Brazil and with our assistance they never will get there. I pointed out in reply that while it is true that Germans did not arrive in Canada, a good many Canadian soldiers did arrive in Germany, which is more to the point." (740.00119 Council/2-1347)

⁵⁸ At the 19th Meeting of the Deputies for Germany, Murphy reiterated that the inclusion of Albania in the Soviet list could not be accepted by the United States since the United States Government had no diplomatic relations with the Albanian Government. Murphy further observed that the United States did not seek to deny the Albanian people their legitimate rights, but the United States did distinguish between a government that was imposed upon the Albanian people and a government they might have chosen themselves.

d/ Transfer, with the agreement of the Allied Governments, to the other Allied Governments, of their memoranda, statements and other documents, submitted to the Council of Foreign Ministers.

e/ Standing Committee will make reports on its work and recommendations on separate questions to the Deputies for consideration

5. The Standing Committee will carry out its work availing itself of the service of the Representatives or experts of the directly interested countries who will participate in the meetings of the Standing Committee in the course of the latter's discussions of the questions directly affecting a given country. The Representatives of the other Allied countries may be present at these meetings.

6. The Standing Committee may set up *ad hoc* sub-committees with the participation of the experts of the directly interested Allied countries with a view to studying separate questions of special interest to individual Allied countries. If necessary, the sub-committees may organise the study of such questions by making on-the-spot visits.

The results of the sub-committees' work will be considered by the Standing Committee.

7. In considering the reports and recommendations of the Standing Committee the Deputies of the Ministers may invite the Representatives of a directly interested country to participate in the discussion on the questions directly affecting the interests of the given country.

CFM Files : Lot M-88 : Box 2161 : CFM(D) (47) (G) Documents

Proposal by the French Delegation to the Deputies for Germany of the Council of Foreign Ministers ⁵⁹

SECRET

LONDON, 21st February, 1947.

CFM(D) (47) (G) 68

QUESTIONS RELATING TO GERMANY: PROCEDURE

1) For the study of questions relating to the settlement with Germany, the Council of Foreign Ministers will appoint four permanent Committees:

- a) Committee on the political and constitutional structure of Germany.
- b) Committee on territorial adjustments and related problems.
- c) Committee on the economic organization of Germany and Reparation.
- d) Committee on disarmament and demilitarization.

⁵⁹ This proposal was tabled by the French Delegation at the 27th Meeting of the Deputies for Germany, February 21, 1947, but it was subsequently withdrawn. The explanation of the reasons for the submission and withdrawal of this proposal by the French Delegation was set forth in note 1 to the Report by the Deputies for Germany to the Council of Foreign Ministers, CFM(D) (47) (G) 69 (Revised), February 26, 1947, p. 105.

The permanent Committees will consist of representatives of the Four Powers members of the Council. They will submit reports and recommendations to the Ministers or to the Deputies.

Each of the four Committees will appoint sub-committees, as and when necessary, to examine particular questions; the sub-committees will continue to operate as long as is necessary to carry out the work entrusted to them. They will report to the permanent Committees and submit their recommendations, and eventually the various points of view whenever no unanimous agreement is reached.

The membership of these sub-committees will be determined in each case by the permanent Committees who will invite the Allied States directly concerned in the problems under consideration to be represented thereon.

2) The Council of Foreign Ministers will appoint a committee for the information and consultation of the Allied Governments. The duties of this committee will be the following:

1. To keep the Allied Governments regularly informed on the work of the Council of Foreign Ministers in connection with the preparation of the Peace Treaty.

2. To communicate to the Allied Governments all the documentation of the Council of Foreign Ministers concerning the preparation of the Treaty (particularly the decisions, directives, reports of committees and sub-committees, etc. . . .) which may be of use for their information.

3. To communicate to the Allied Governments, with the agreement of each Government concerned, the memoranda, statements and other documents submitted to the Council of Foreign Ministers.

4. To organize consultation of the representatives of the Allied Governments:

- (a) on the questions set forth in the memoranda and oral statements of the Allied Governments relating to the German problem;
- (b) on information and documents communicated to the Allied Governments under paragraphs 1 and 2 above;
- (c) on general questions relating to the German problem.

The Information and Consultation Committee will consist of representatives of the Four Powers members of the Council and of the Allied States which are neighbours of Germany or which participated with their armed forces in the common struggle against Germany. The chairmanship of the Committee will be held in turn by the representatives of the Four Powers. They will act in concert in the Committee according to the instructions they will receive from the Ministers or the Deputies.

The Foreign Ministers will be kept informed of the proceedings of the Information and Consultation Committee by their representatives on this Committee.

CFM Files : Lot M-88 : Box 2161 : CFM(D) (47) (G) Documents

*Report by the Committee of Experts to the Deputies for Germany of the Council of Foreign Ministers*⁶⁰

SECRET

LONDON, 21st February, 1947.

CFM(D) (47) (G) 65 Revised

PROCEDURE WITH REGARD TO THE PREPARATION OF A PEACE TREATY
[WITH] GERMANY

Note: The references in the margin indicate the countries which are in agreement with the words in brackets.

FRANCE
U.S.A.

1. The Peace Treaty [for] Germany will be prepared by the Council of Foreign Ministers composed for this purpose of the members of the Council representing the Powers signatory to the Act of Military Surrender of Germany.

The Council of Foreign Ministers will consult the Governments of the Allied States enumerated in paragraph 2 on the question of the preparation of the peace treaty in the manner laid down in Part II of this document.

2. The Allied States mentioned in the foregoing paragraph are the Allied States which are neighbours of Germany and other Allied States which participated with their armed forces in the common struggle against Germany, namely:

U.S.S.R.
FRANCE

[Albania], Australia, Belgium, the Byelorussian Soviet Socialist Republic, Brazil, Canada, China, Czechoslovakia, Denmark, Greece, India, Luxembourg, the Netherlands, New Zealand, Norway, Poland, the Ukrainian Soviet Socialist Republic, the Union of South Africa and Yugoslavia.

U.K. FRANCE
U.K. FRANCE
U.S.S.R.

3. When the preparation of the draft peace treaty is completed [or sufficiently advanced] [due regard having been given to the views expressed by the Allied States] [and when a central Government is

⁶⁰ At their 27th Meeting, February 21, 1947, the Deputies for Germany agreed to appoint a Committee of Experts (U.S.—Trivers, U.K.—Young, U.S.S.R.—Filipov, France—de Courcel) to prepare a text showing the positions of the respective Delegations in regard to the proposals contained in Part I of the Soviet proposal (CFM(D) (47) (G) 56, February 12, 1947, p. 30) and to report to the Deputies at their next meeting. At their 28th Meeting, February 22, 1947, the Deputies for Germany considered the text submitted by the Committee of Experts in document CFM(D) (47) (G) 65 and approved it in the amended form printed here. According to the Record of Decisions of the 28th Meeting of the Deputies, the United States and United Kingdom Delegations made the reservation that their acceptance of CFM(D) (47) (G) 65 Revised was subject to agreement being reached on a complete document.

formed in Germany which will be deemed adequate for the purpose of accepting the said document] the Council of Foreign Ministers, consisting of the Foreign Ministers of the Union of Soviet Socialist Republics, the United States of America, the United Kingdom, France

[and China]

U.K.
FRANCE

will convene a conference to discuss the draft treaty.

The conference will consist of the following States which are neighbours of Germany and other Allied States which participated with their armed forces in the common struggle against Germany: the Union of Soviet Socialist Republics, the United States of America, the United Kingdom, France, China, [Albania], Australia, Belgium, the Byelorussian Soviet Socialist Republic, Brazil, Canada, Czechoslovakia, Denmark, Greece, India, Luxembourg, the Netherlands, New Zealand, Norway, Poland, the Ukrainian Soviet Socialist Republic, the Union of South Africa and Yugoslavia.

U.S.S.R.
FRANCE

U.S.S.R.

[The German Government will be given an opportunity of stating its views at the conference]

U.K.

[If at the time of the conference there exists a German Government adequate for the purpose of accepting a peace treaty, representatives of the German Government will be given an opportunity of expressing their views at this conference.

In any event, before a peace treaty is signed by a German Government, representatives of that Government will be given an opportunity of expressing their views on the draft peace treaty.]

4. When the work of the conference is concluded, and its recommendations have been considered, the Council of Foreign Ministers, consisting of representatives of the States which signed the Act of Military Surrender of Germany will draw up the final text of the peace treaty.

U.K.
FRANCE

[In this work the Council of Foreign Ministers will consult the Allied States in the manner laid down in Part II of this document.]

5. The final text of the peace treaty thus prepared will be signed by the Representatives of the States represented at the conference.

The text of the peace treaty will thereafter be presented to the other United Nations who are in a state of war with Germany.

6. The peace treaty will enter into force immediately after its ratification by the Allied States which signed the Act of Military Surrender of Germany.

With respect to each other Allied signatory the Treaty will come into force upon the date of the ratification by that Allied signatory.

The peace treaty is also subject to ratification by Germany.

The U.S. Delegation reserves its position on paragraphs 3 to 6 inclusive and abstains from discussion on the ground that it is premature at the present time to attempt to decide on procedure for this period.

740.00119 Council/2-2147 : Telegram

The Secretary of State to the United States Deputy for Germany at the Council of Foreign Ministers (Murphy)

SECRET
URGENT

WASHINGTON, February 21, 1947—7 p.m.

869. Secdel 1304 for Murphy and Matthews.⁶¹ We have been reviewing various proposals on procedure as set forth in Delsecs 1171 Feb 1; ⁶² 1201 Feb 7; ⁶³ 1225 Feb 12, ⁶⁴ and 1226 Feb. 12, ⁶⁵ together with your reports [of the] discussions thereon. We have now come to conclusion that deputies should limit themselves to recommendations on machinery for consultation with other States and leave to CFM determination exactly how many and which States should be represented on committees. We believe that we can in general support Brit proposal as it offers sufficient flexibility for this purpose. In line with this policy, you should therefore support in Deputies Brit proposal but suggest that paragraph four Section three be amended to read as follows:

⁶¹ H. Freeman Matthews, Director of the Office of European Affairs, was in London for discussions with British officials about topics to be brought up at the forthcoming session of the Council of Foreign Ministers in Moscow.

⁶² Not printed; it transmitted an unofficial translation of the French proposal on procedure, CFM(D) (47) (G)38, January 30, 1947, p. 17.

⁶³ Not printed; it transmitted the text of the United States proposal on procedure, CFM(D) (47) (G)53, February 10, 1947, p. 24.

⁶⁴ Not printed; it transmitted the text of the United Kingdom proposal on procedure, CFM(D) (47) (G)55, February 12, 1947, p. 28.

⁶⁵ Not printed; it transmitted the text of the second Soviet proposal on procedure, CFM(D) (47) (G)56, February 12, 1947, p. 30.

"The CFM or the deputies will, as found necessary, appoint committees to consider particular questions forming part of the subject matter of the peace treaty. Such committees will be composed of representatives of the four powers and a convenient number of representatives drawn from the Allied States, including those with a direct interest in the particular matter under study."

This Section, thus amended, would make possible a participation by other States in line with our idea but would not involve deputies in a long argument over which States or how many States would participate. You should adhere to this position even if agreement can not be reached in Deputies.

For your background info and guidance, Dept's present thinking on problem of procedure and peace conference is as follows:

The treaty should take the form of a treaty among the Allies not with Germany but for Germany, and the settlement should provide that all German governmental authority shall be exercised subject to the provisions of the peace settlement. This will probably involve the mandatory acceptance of a clause to this effect in the German constitution.

We prefer the decision on the convocation and composition of a peace conference be left to the CFM. However, Dept believes that all countries at war with Germany should be invited to conference and should have an opportunity to present their views to conference although we will probably have to agree that only those who actively participated in war should have a vote. This seems to Dept to be the most realistic approach.

We are in a somewhat difficult position with respect to Latin-American and Near Eastern countries.⁶⁶ For example, Mexico has requested our support for participation in the German and Austrian treaties. Acheson orally informed MexAmb⁶⁷ that we would support this request in connection with German treaty but could not guarantee agreement to Mexico's participation by other great powers. The provision re separate peace in UN Declaration is claimed to have entitled all States at war with Germany to participate in peace settlements, and refusal to lend support to requests as that of Mexico will expose

⁶⁶ The Syrian, Lebanese, and Iranian Governments had asked the Council of Foreign Ministers to be invited to participate in the German Peace Conference. These requests were circulated to the Deputies for Germany as documents CFM (D) (47) (G) February 10, CFM (D) (47) (G) 54, February 12, and CFM (D) (47) (G) 59, February 13, 1947, respectively, none printed (CFM Files: Lot M-88: Box 101). At their 19th Meeting, February 12, 1947, the Deputies for Germany agreed to refer the communications from Syria and Lebanon to the Council of Foreign Ministers for consideration. At their 23rd Meeting, February 17, the Deputies took the same action with respect to the Iranian communication.

⁶⁷ Espinosa de los Monteros, the Mexican Ambassador in Washington; in this connection, see also the note of March 6, 1947, from the Acting Secretary of State to the Mexican Ambassador, p. 195.

us to charge of violating a commitment. This is generally true re Latin-American States as this Govt discouraged them from sending military contingents (although making exception for Brazil) and allowed them to believe there would be no discrimination against them in the peace settlements. Their participation in the war was largely in political and economic fields, where they made substantial and important contributions. Dept therefore wishes to have clearly on record US position that all States at war with Germany are entitled to participate in German settlement although the form and extent of their participation need not be defined until the principle is accepted by the other great powers.

MARSHALL

740.00119 Council/2-2447 : Telegram

The United States Deputy for Germany at the Council of Foreign Ministers (Murphy) to the Secretary of State

SECRET

LONDON, February 24, 1947—3 p.m.

1226. Delsec 1268 from Murphy. Your 869, February 21 Secdel 1304.⁶⁸ We are grateful for Department's advice regarding the recommendations on machinery for consultation with other states and we have presumed throughout that final determination of exactly how many and which states will be represented on committees is a matter which CFM will eventually decide.

As the Department will have noted we have consistently through the weeks of discussion whenever the question of participating states has arisen made it abundantly clear that we do not agree with the Soviet proposal to limit these states to a total of twelve including Albania and have insisted on a minimum of eighteen excluding Albania. Department has been informed that an agreement by the Deputies at this session adjourning February 25 on the points mentioned by Department seems hardly possible.

Since the Department's dispatch of its present telegram there have been further developments in respect of the British proposal which it is suggested we now support. We have never been very far apart from the British but it should be mentioned that according to Strang, the British representative has been constantly prodded by the Dominions to stand for broad participation of the allied states, possibly good deal broader than the UK by itself would have been prepared to go.

⁶⁸ *Supra.*

Department will note that two features are left in doubt by text of the British proposal: (A) The manner of selection of the representatives of the allied states and (B) definition of "direct interest". In respect of (A) we have felt that the selection would be facilitated if each deputy could select one thus providing a basic membership of eight with additional members required to be selected by joint action of the four. With respect to (B) we have maintained that the CFM in extending its invitation for hearing on December 31 to the eighteen states provisionally decided these eighteen had a "direct interest" Soviet definition would limit them to "allied neighbor states and those who were occupied by German forces", thus making a total of twelve including Albania. We have suspected that Department might find difficulty regarding Latin-American and Near Eastern countries and for that reason have tried to obtain greatest latitude.

As matters now stand there is practical agreement by UK, French and this delegation on recommendation to CFM for establishment of information and consultation committee as well as for the following: (A) Committee for the political and Constitution Organization of Germany; (B) Committee for Territorial Changes and Related Questions; (C) Committee for the Economic Organization of Germany and Reparations, (D) Committee of Disarmament and Demilitarization. There is also substantial tripartite agreement on the appointment of sub-committees "as and when necessary to examine particular questions".

We shall bear in mind the formula suggested for the composition of the committees but we do not expect agreement. The Soviet representative has steadfastly opposed a degree of participation by allied states which would permit their membership in committees or sub-committees for the consideration of particular subjects. The UK representative bolstered by the Dominions' representative now insists on such membership and we have taken the same position. Couve would like to straddle not demonstrating firm convictions but now says that it is obvious that Gusev will not budge. Couve, therefore, indicates he will come along with the UK and US views.

[MURPHY]

CFM Files : Lot M-88 : Box 2161 : CFM(D) (47) (G) Documents

*Report by the Deputies for Germany to the Council of Foreign Ministers in Compliance With Section IV (a) of the Council's Instructions of 12th December, 1946.*⁶⁹

LANCASTER HOUSE, LONDON, 25th February, 1947.

CFM(D) (47) (G) 70

In accordance with the instructions of the Council of Foreign Ministers of the United Kingdom, the United States of America, the Union of Soviet Socialist Republics and France, the Ministers Deputies for Germany, Sir William Strang, the Hon. Robert Murphy, Monsieur F. T. Gousev and Monsieur Couve de Murville met in London on the 14th January, 1947.

Under Paragraph IV (a) of the Ministers' Decisions, dated 12th December, 1946 (Document CFM(NY)74),⁷⁰ the Deputies for Germany were instructed to "hear the views of the Governments of neighbouring Allied States, and of other Allied States which participated with their armed forces in the common struggle against Germany, which wish to present their views on the German problem." The Deputies accordingly heard at Lancaster House the views of a number of Allied Governments.

Of the eighteen Allied Governments invited in the letter of 31st December, 1946, despatched by the Secretary-General of the Council of Foreign Ministers,⁷¹ the Governments of sixteen countries submitted written memoranda: Australia, Belgium, Brazil, Byelorussia, Canada, Czechoslovakia, Denmark, Greece, Luxemburg, the Netherlands, New Zealand, Norway, Poland, South Africa, Ukraine and Yugoslavia. Of these sixteen Governments all except Brazil,⁷² Norway

⁶⁹ At their 3rd Meeting, January 16, 1947, the Deputies for Germany agreed to establish a Drafting Committee to prepare a report to the Council of Foreign Ministers. As subsequently agreed upon by the Deputies, the Drafting Committee consisted of: U.S.—Heath, U.K.—Young, U.S.S.R.—Filippov and Saksin, France—de Courcel. The method for drafting the Report was decided upon by the Deputies at their 18th Meeting, February 11, 1947; see the report on this meeting in telegram 957, Delsec 1222, February 12, 1947, from London, p. 26. The Report submitted by the Drafting Committee was considered and approved by the Deputies for Germany at their 29th Meeting, February 24, 1947, subject to a number of textual amendments and modifications of presentation which were incorporated in the text signed by the Deputies on February 25, 1947, and printed here.

Texts of the memoranda and statements by the Allied States referred to in this Report and copies of the relevant maps were contained in Annexes I and II, respectively. These Annexes are not reproduced here.

⁷⁰ *Foreign Relations*, 1946, vol. II, p. 1557.

⁷¹ *Ante*, p. 1.

⁷² In a note circulated to the Deputies for Germany as document CFM(D) (47) (G) 16, January 16, 1947, and published in the Brazilian press on January 16, the Brazilian Chargé in London Hugo Goulthier stated that the Brazilian Government felt strongly regarding the right of all countries at the meeting of the Deputies for Germany to discuss not only their own views regarding a German settlement but also the views of the great powers. In telegram 412, Delsec 1129, January 20, 1947, from London, not printed, Murphy reported that Chargé Goulthier had called on him to voice an informal protest regarding the stricture placed on countries in presenting their views on Germany to the Deputies. Goulthier said his government was considering refusing to present its views on the ground that the limited opportunity was inadequate (740.00119 Council/1-2047).

and Canada supplemented their written memoranda with oral statements to the Council of Deputies. The Government of China in a letter to the Secretary-General in London expressed its intention of submitting a memorandum at a later date. No communication has been received from the Government of India.

In compliance with Paragraph IV (c) of their instructions the Deputies for Germany present herewith their report to the Council of Foreign Ministers for the session in Moscow beginning on 10th March, 1947.

WILLIAM STRANG.
F. T. GOUSEV.

ROBERT MURPHY.
MAURICE COUVE DE MURVILLE.

PART I

LIST OF MEMORANDA AND STATEMENTS PRESENTED TO THE DEPUTIES BY EACH COUNTRY, TOGETHER WITH A LIST OF THE PRINCIPAL QUESTIONS RAISED

AUSTRALIA

Represented by: Lieut.-Col. Hodgson.

Date of Hearing by Deputies: 24th January, 1947.

Documents:

1. Memorandum presented by the Australian Government to the Deputies appointed by the Council of Foreign Ministers, 13th January, 1947 (CFM(D)47(G)5).
2. Statement by Lieut.-Col. Hodgson, of the Australian Delegation, at the meeting of the Deputies for Germany, 24th January, 1947 (CFM(D)47(G)25).
3. Memorandum: Views of the Australian Government, 14th February, 1947 (CFM(D) (47) (G)61).

I.—GENERAL OBSERVATIONS.

1. Extent of Australia's war effort.
2. Questions of procedure.
3. Owing to the absence of a German Government, an interim agreement, prior to the final settlement, will be necessary. Contents of the interim agreement.

II.—FUNDAMENTAL PRINCIPLES.

1. Observance of general undertakings in Atlantic and United Nations' Charter.
2. Impartial examination of all relevant facts.
3. No unnecessary burdens and humiliations to be imposed upon the ex-enemy States.
4. Necessity of an overall settlement.

III.—POLITICAL PRINCIPLES ON THE SETTLEMENT WITH GERMANY.

1. Should be based on the Potsdam Agreement in its two aspects: negative (demilitarisation, disarmament, denazification) and positive (democratisation of Germany).

The following remarks are made in this respect:

(a) clause for protection of human rights to be inserted in the Treaty;

(b) need for uniform measures of denazification within Germany;

(c) necessity of uniform principles in education and justice.

2. *Allied Control System* to be modified so as to give all belligerents the possibility of expressing their views on the occupation policy. Setting up of a policy-making body on parallel lines to the Far-Eastern Commission.

3. *Political Structure of Germany*.—Necessity of central administrations—Should be established immediately.

Not advisable to set up a provisional German Government too soon. Special committee should study the problem. But ultimate decision on the political structure of Germany to rest with the Germans themselves.

4. *Frontiers and Territorial Claims*.—Australia has no commitments in that matter but insists on observance of fundamental principles stated above with possible exceptions for security claims of paramount importance. Economic considerations should also be taken into account.

IV.—ECONOMIC PRINCIPLES.

Potsdam Agreement contradictory in so far as industrial disarmament, if carried out to the letter, would risk wrecking the German economy. Necessary to restate economic purposes of Potsdam in that respect.

BELGIUM

Represented by: Baron de Gruben.

Date of Hearing by Deputies: 31st January, 1947.

Documents:

1. Memorandum submitted to the New York session of the Council of Foreign Ministers, 14th November, 1946 (CFM(D) (47) (G) 63).

2. Communication from H.E. the Belgian Ambassador in London, enclosing two memoranda (VI and VII), 19th January, 1947 (CFM(D) (47) (G) 17).

3. Memorandum: Considerations of the Belgian Government on the policy of the Allied Powers concerning Germany, 17th January, 1947 (CFM(D) (47) (G) 17).

4. Memorandum: Belgian claims in respect of Germany, 17th January, 1947 (CFM(D) (47) (G) 17).

5. Statement by Baron de Gruben, of the Belgian Delegation, at the meeting of the Deputies for Germany, 31st January, 1947 (CFM(D) (47) (G) 40).

1. Fundamental problem is gradual replacement of necessary present regime of restraint by one of free German co-operation. Allies must guard against laxity and division. Necessity of permanent unity and vigilance among the Allies.

2. Germany to be a confederation of States.

3. The economic unity of Germany must be secured.

4. General control of disarmament. Approval of American Draft Treaty for Disarmament and Demilitarisation of Germany. Measures for security and control which are envisaged for the whole country should be applied strictly to those regions which are most important from the point of view of military and economic security.

5. Control of Rhineland and Ruhr. Problems of the Ruhr and the Rhineland to be considered in the general framework of Germany as a whole.

Special military regime in the areas of the Ruhr and the Rhineland. After a possible evacuation of the rest of Germany a compulsory regime of limited military occupation by units of the French, Luxemburg, Belgian, Dutch and British armies to be retained in those regions.

Establishment of international economic control over the Ruhr basin. The international organ of control to consist of the representatives of the five occupying powers—participation of the other powers to be defined by the Great Powers.

6. The Agreement reached by the Control Council on 26th March, 1946, establishing the level of German industry, has greatly hindered Germany in the re-establishment of her economic equilibrium.

7. Prohibition of manufacture and import of certain articles, likely to be used for war purposes.

8. Need for control of German commercial policy and practices.

9. Territorial claims.

10. Other claims:

(a) The delivery of raw materials and electrical power.

(b) Demands relating to transport, communications and the waterways.

(c) Demands relating to the restitution of works of art and historical archives.

BRAZIL

Document: Communication from the Brazilian Ambassador to the Council of Foreign Ministers, 22nd January, 1947 (CFM(D) (47) (G)20).

1. The Brazilian Government considers it indispensable to destroy the unity of the Reich.

When a federal structure is set up in Germany it will be necessary to endow it with an economic regime which will proscribe internal customs barriers.

2. The Brazilian Government supports the internationalisation of the Ruhr and the creation of a special economic regime for the Saar as desired by the French Government.

3. The Brazilian Government desires to share in the division for reparations of the assets situated in Germany and liable to transfer.

BYELORUSSIAN S.S.R.

Presented by: Mr. Kiselev.

Date of Hearing by Deputies: 8th February, 1947.

Document: Statement by Mr. Kiselev, of the Byelorussian Delegation at the meeting of the Deputies for Germany, 8th February, 1947 (CFM (D) (47) (G) 50).

1. The Byelorussian people are vitally interested in a solution of the German problem which would guarantee them against any repetition of invasion by Germany.

2. Extent of damage caused to the Byelorussian S.S.R. by the Germans:

(a) The majority of towns and villages destroyed;

(b) Direct material damages amounting to 15,000 million American dollars, of which 4,720 million dollars represent losses of personal belongings of citizens;

(c) Particularly heavy destruction wrought on agriculture (sown area of grain decreased by 60 per cent., that of potatoes dropped to one-half, etc. . . .);

(d) Policy of extermination of the population of Byelorussia.

3. Contribution of the Byelorussian people to the war against Germany:

(a) Guerrillas (over 300,000);

(b) Armed forces (one million soldiers and officers).

4. Byelorussian demands for reparations (1,500 million American dollars which constitutes not more than 10 per cent. of damage inflicted).

5. The German question can be successfully resolved only by the application of the principles adopted at Potsdam and the Crimea:

(a) Complete disarmament and demilitarisation for a period of 40 years.

Liquidation of the economic potential of Germany with a view to safeguarding the future against German aggression.

Inter-Allied control of the Ruhr by the United States of

America, France, the United Kingdom and the U.S.S.R.

Liquidation of the excessive concentration of Germany's economic power.

Liquidation of trusts and cartels.

(b) Democratic land reform to eliminate the economic power of reaction and militarism.

(c) Reconstruction of Germany on new democratic lines, complete eradication of Nazism and its ideology.

(d) Political structure of Germany; a united Germany in which the organs of local self-government of the *Laender* and provinces will be invested with broad democratic rights.

(e) Democratic parties and anti-Fascist trade unions could render important assistance to the occupying powers in the implementation of the Crimean and Potsdam decisions.

(f) The setting up of a strict control over Germany by the four occupying powers, the control body of these powers must be invested with the power to carry out sanctions.

(g) The immediate liquidation of anti-social Fascist organisations, consisting of war criminals and accomplices of the Hitlerite hangmen. All Nazi criminals to be handed over and punished.

CANADA

Document: Memorandum on the German Peace Settlement, 30th January, 1947 (CFM(D) (47) (G) 41).

I.—GENERAL OBSERVATIONS.

Canada's interest in the German problem: Canada involved in war against Germany twice in a generation.

Canada's contribution to victory, justifying her participation in the preparation of the peace settlement.

II.—ELABORATION OF AN INTERNATIONAL STATUTE FOR GERMANY.

Paramount purpose of the peace settlement is to prevent recurrence of war, but in such a manner that the Germans may ultimately resume a peaceful place in the European and world community.

Early conclusion of a formal peace treaty unnecessary. Advantages of an international Statute constituting a new German State and governing its relations with other States.

III.—CONSTITUTIONAL AND TERRITORIAL QUESTIONS.

Need to reconstitute a German State: this State to be federal and not unitary in character.

Limitations to be imposed on powers of Central German Government, in particular financial and military powers.

Need for control of the executive by a democratically elected legislature.

Relations between Central Government and Governments of the States to be described in a formal Constitution.

German frontiers to be determined with a view to securing maximum stability in Europe.

IV.—ECONOMIC QUESTIONS.

Three fold Canadian interest in Germany's economic future:

Prevention of new aggressive war.

Prevention of economic depression in Germany which would react adversely on Europe as a whole.

German industrial capacity to be used for the benefit of all countries.

Early establishment of Economic Commission for Europe desirable.

Control of German industry in special areas, *e.g.*, Ruhr to be administered by an international authority.

Need to abolish centralisation and monopoly in German industry and finance.

German foreign trade to be conducted in a manner providing equal opportunity for all nations.

V.—REPARATIONS.

Existing arrangements to be reviewed in the light of level of economy and standard of living to be permitted to Germany.

VI.—DISARMAMENT AND DEMILITARISATION.

Peace Treaty should contain specific provisions for abolition of German armaments and armed forces: need for effective international safeguards.

Framing of satisfactory peace settlement with Germany a world problem. Nations preparing the Peace Treaty are trustees for the United Nations. The United Nations the only long-term safeguard for peace.

CZECHOSLOVAKIA

Represented by: M. Heidrich, M. Hajdu and M. Lisicky.

Date of Hearing by Deputies: 30th January, 1947.

Documents:

1. Memorandum of the Czechoslovak Government to the Conference of Foreign Ministers' Deputies in London, 22nd January, 1947, (CFM (D) (47) (G) 21).

2. Statements made by members of the Czechoslovak Delegation at the meeting of the Deputies for Germany, 30th January, 1947, (CFM (D) (47) (G) 36).

1. The crux of the problem of the future political settlement of

Germany is the organisation of Four Power control extending to all branches of German life. Such control, for which Four Power military occupation is the sole guarantee, must continue until there is the absolute certainty that Germany has not the material possibility of again becoming an aggressor, and the knowledge that the will of the German people is no longer directed to this end.

2. Removal of material conditions of a fresh German aggression by complete military and economic disarmament, co-ordinated with Germany's reparations obligations.

3. German economic unity desirable provided there is agreement regarding political unity.

4. Federalisation of Germany presents difficulties and would not itself suffice to safeguard the interests of the Czechoslovak Republic.

5. The necessity to implement, without delay, the decision of the Potsdam Agreement on reparations.

6. The economic resources of the Ruhr and Rhine Districts not to be excluded from an all-German economic system, and to be under effective control. Czechoslovakia to participate in this control should States other than the occupying powers be invited to do so.

7. Denazification and democratisation of Germany.

8. Need for the liquidation of cartels, the nationalisation of industry belonging to Nazis, wide spread land reform, uniform currency, control of external trade, credit and investment.

9. Nullity of Munich Agreement to be declared.

10. Claims for adjustment of Czechoslovak/German frontier, for detailed list *see* Annex.

11. Question of ex-Czechoslovak Nationals of German origin.

12. Participation of Czechoslovakia in the control of Germany with regard to questions in which Czechoslovakia has a direct interest.

13. Czechoslovak reparation and other claims.

DENMARK

Represented by: Count Reventlow.

Date of Hearing by Deputies: 13th February, 1947.

Documents:

1. Memorandum containing the views of the Royal Danish Government regarding the Future Settlement of Germany, 5th February, 1947 (CFM(D) (47) (G) 46).

2. Statement by Count Reventlow, of the Danish Delegation, at the meeting of the Deputies for Germany, 15th February, 1947 (CFM(D) (47) (G) 60).

1. Definition of the problem confronting the Allies. Need to safeguard against German aggression, whilst creating economic and social conditions for the restoration of Germany on a democratic basis.

2. *Political questions:*

(a) General views of Danish Government on military and political questions. Importance of disarmament and demilitarisation; denazification and education of German youth; decentralisation of political structure.

(b) Need for guarantee of common civic and democratic rights for all inhabitants of Germany, including "non-German groups of population." Special provisions required to safeguard the privileges of the latter.

(c) Danish interest in South Schleswig. Need for measures to protect the Danish element there.

(d) Proposal for administrative separation of South Schleswig from Holstein.

(e) Request for removal of refugees from South Schleswig.

(f) Proposal that Kiel Canal should be administered by an international body.

3. *Economic questions:*

(a) Importance of Danish-German trade for the Danish economy.

(b) Need for dissolution of monopolistic concerns in Germany.

(c) Economic organisation of Germany: Importance of avoiding internal economic barriers.

(d) Need to ensure non-discrimination by Germany in matters of commerce, communications, etc.

(e) Reparations. Danish desire to obtain reparations from current production.

4. Control Measures. Need for special organs of control after withdrawal of Allied occupation forces.

5. Request for surrender of Danish archives removed to Germany.

6. Request for removal of German refugees from Denmark as soon as possible; refusal to grant them Danish citizenship.

7. Procedure for the preparation of a Peace Treaty.

GREECE

Represented by: M. Aghnides.

Date of Hearing by Deputies: 29th January, 1947.

Documents:

1. Memorandum: Views of the Greek Government presented 20th January, 1947 (CFM(D) (47) (G) 19). (Includes EAC document 5137 giving the views of the Royal Hellenic Government on the terms of surrender to be imposed upon Germany and the machinery required to ensure the fulfilment of these terms.)

2. Statement by M. Aghnides at the 29th January, 1947, meeting of the Deputies for Germany (CFM(D) (47) (G) 33).

3. Communication from the Greek Government of 7th February, providing supplementary answers to questions (CFM(D) (47) (G) 51).

1. *Greece's interest in future economic and political structure of Germany.*—"Confederation of German States" suggested, but "German economy should not be excessively decentralised".

2. *Commercial Policy.*—Basis of Germany's future commercial policy to be laid down in the Peace Treaty. Need to safeguard against German economic domination of the Balkan countries.

3. *Reparations.*—Particular strength of Greek claims on account of Greece's losses and absence of other sources of compensation.

Need for revision of Paris Agreement in Greece's favour.

Germany's liability, to include reparations from current production, to be fixed at highest possible figure.

4. *Restitution.*—No distinction to be made between goods removed by force and goods obtained against payment in occupation currency. Objects of artistic value to be replaced where they cannot be returned.

5. *Greece's commercial dependence on the German market, particularly as regards tobacco.*—Proposal that Peace Treaty should contain clause requiring Germany to obtain a substantial proportion of her tobacco imports by preferential purchase from Greece.

6. *Other Special Claims.*—Including repayment of advances to German occupation authorities, German liability for expenses of mine clearance, claims to German war material and for payment by Germany of cost of repatriating and maintaining Greek nationals removed to Germany during the war.

LUXEMBURG

Represented by: Mr. Wehrer.

Date of Hearing by Deputies: 7th February, 1947.

Documents:

1. Memorandum: Views of the Luxemburg Government, 5th February, 1947 (CFM(D) (47) (G) 47).

2. Statement by M. Wehrer, of the Luxemburg Delegation, at the meeting of the Deputies for Germany, 7th February, 1947 (CFM(D) (47) (G) 49).

GENERAL REMARKS.

Security considerations to be given absolute priority in the settlement of the German question.

The need of vigilance in applying measures of demilitarization and denazification.

A.—OBSERVATIONS ON ALLIED POLICY TOWARDS GERMANY.

Primary importance of decentralizing Germany.

Proposal to set up self-governing German States, such States to be free to join a Confederation should one be created.

Special status of the Ruhr—Need for Allied control.

Status of Rhineland.

B.—LUXEMBURG CLAIMS IN RESPECT OF GERMANY.

1. *Review of Total Damage Suffered by the Grand-Duchy.*

2. *Territorial Claims:*

Demand for exclusive possession of rivers Our, Sure and Moselle, forming the present frontier between Luxemburg and Germany.

Cession of bordering territories as defined on map annexed to Memorandum.

The Grand-Duchy to acquire and operate the railway line on the German bank of the Moselle.

Germany to build and bear the cost of construction of a dam and hydroelectric power station on the Our.

3. *Economic Claims:*

The working and production of the mines of the Eschweiler-Bergwerkes-Verein to be placed at the entire disposal of Luxemburg.

The direct supply of coal and coke by Germany or, failing that, the temporary concession of mines in the Aachen and Ruhr districts (Nordstern mining concessions).

Germany to deliver fuel and miscellaneous supplies to ensure the working of mines and metallurgical industry. These supplies to be in exchange for Luxemburg products.

4. *Additional Claims:*

Claims relating to certain German works of art and archives.

Luxemburg property, interests and rights in Germany to be guaranteed.

NETHERLANDS

Represented by: Jonkheer van Vredenburg and Dr. Hirschfeld.

Date of Hearing by Deputies: 28th January, 1947.

Documents:

1. Memorandum: Views of the Netherlands Government, 14th January, 1947 (CFM (D) (47) (G) 9).

2. Additional Memorandum of the Netherlands Government with regard to the demarcation of the future Netherlands German frontier and related problems, 25th January, 1947 (CFM (D) (47) (G) 24).

3. Statements made by Jonkheer van Vredenburg and Dr. Hirschfeld, of the Netherlands Delegation, at the meeting of the Deputies for Germany, 28th January, 1947 (CFM (D) (47) (G) 28).

4. Communication from the Netherlands Ambassador, London, dated 18th February, 1947 (CFM (D) (47) (G) 64).

GENERAL OBSERVATIONS.

Need to reconcile guarantees of security and achievement of a minimum of prosperity in Germany.

Need for a common Allied policy in respect of military occupation, denazification and control of the Press and other public utterances.

I.—PREPARATION OF THE PEACE TREATY WITH GERMANY.

A.—*Political Principles.*

Application of the Potsdam principles on decentralization of political organization.

Setting up of a German Confederacy.

B.—*Economic Principles.*

Application of the Potsdam principles on economic decentralisation and on deconcentration of German concerns.

Socialisation as against nationalisation.

Raising the German standard of life within the limits compatible with security.

C.—*The Rhineland and the Ruhr.*

Need for special measures of security in these territories.

Minimum of control measures.

Representation of the Netherlands in an international control body to be instituted.

D.—*The Saar Territory.*

Position of the Netherlands with respect to the French desiderata.

II.—ECONOMIC AND FINANCIAL ASPECTS OF THE GERMAN PROBLEM.

1. Fitting the German economic problems into the framework of European economy.

2. Principles to govern Reparations from capital or from current production.

3. Disarmament of Germany and determination of the level of German industry.

4. Decentralisation of industry, and representation of labour in the management. Regime of concerns taken over. International organization of control.

5. Trade policy; principles of non-discrimination.

6. Financial policy: currency, public debt, acknowledgement of foreign debts, credit policy.

7. General observations: need to allow Germany a tolerable standard of living and to provide for the establishment of a central direction in economic and financial matters.

Treatment of Allied nationals and undertakings in Germany.

III.—DEMILITARIZATION AND DISARMAMENT OF GERMANY.

Approval of the American draft treaty aiming at the demilitarization and disarmament of Germany.

Fitting this draft into the framework of the United Nations Charter.

Participation in this Treaty of the Allied States neighbouring on Germany.

IV.—CULTURAL AND SPIRITUAL ASPECTS OF THE GERMAN PROBLEM.

Threats to the whole world resulting from the spiritual, moral and cultural degeneration of Germany, and suggested cure.

Netherlands offer to participate in the spiritual recovery of Germany or of certain parts of Germany.

V.—SPECIAL CLAIMS OF THE NETHERLANDS GOVERNMENT.

1. Historical aspects of the Netherlands-German frontier region and justification of claims submitted.

2. Description of the situation obtaining in the Netherlands-German frontier region with regard to water drainage and supply, reclamation, and land and water communications.

3. Economic desiderata :

Mining concessions in German territory.

Preventing unfair competition of the German seaports.

Demands respecting the German canal system.

Demands respecting the monetary system of Germany.

NEW ZEALAND

Represented by: Mr. W. J. Jordan, High Commissioner for New Zealand.

Date of Hearing by Deputies: 4th February, 1947.

Document: Statement by Mr. W. J. Jordan at the meeting of the Deputies for Germany, 4th February, 1947. (CFM(D) (47) (G) (45—Revised))

PART I.

General Aims and Principles.—Alleviation of present economic distress without impairing security against German aggression . . . unity of the principal signatory powers, acceptability of the settlement to the German people.

Procedure. Opposition to any procedure similar to that of the Paris Peace Conference.

Territorial Problems. Some detachment of historical German territory in order to place it under international control may be a lesser evil than possibility of a powerful Germany.

Demilitarization. Demilitarization and disarmament should be complete and continuing in order to prevent the renewal of German aggression.

Political Structure. The Germany most likely to be a peaceful member of Europe would be constituted as a federation.

Social Aspects (Denazification and Democratization). Domination of militaristic elements in German society should be broken. Land reform and break-up of dangerous monopolies should be required by the treaty.

Relationship of the Treaty with the United Nations. Provision should be made for the acceptance of treaties by the United Nations and obligation to support Germany's admission to the United Nations should not be incorporated in the treaty.

NORWAY

Documents:

1. Memorandum of the Norwegian Government on Allied policy with regard to Germany, 28th January, 1947 (CFM(D) (47) (G) 34).

2. Communication from the Norwegian Ambassador in London, 13th February, 1947 (CFM(D) (47) (G) 58).

1. *Military and Political Questions:*

(a) Control necessary particularly of the Ruhr after the conclusion of peace treaty until reparations are paid and political views of Germans are no longer a danger to peace.

Restrictions to be limited to a definite period so that Germany can look forward to regaining her place in the family of nations.

(b) Complete demilitarization to include effective controls, and to apply to industrial production, propaganda and para-military organizations.

(c) Restrictions to be placed on Germany's sea-going merchant navy.

(d) Political unity of Germany to be maintained.

(e) Thorough decentralisation of administration required: local autonomy, and limited powers for Central Government, Liquidation of Prussia.

(f) Democratization the ultimate aim of Allied Policy. Spiritual isolation of Germany to be **broken down**.

(g) Guarantees of human rights required in Germany.

(h) Germany to cooperate in disposing of war criminals: this to include extradition of Allied nationals.

2. *Economic Questions:*

(a) Economic unity essential.

(b) German trusts and cartels to be liquidated and German economy brought under public control.

(c) Norway's claim for reparations is approximately 3 billion dollars. Non-fulfilment of Potsdam decisions regarding reparations.

(d) Necessity of determining the extent of reparations and of making equipment available without delay.

(e) As soon as German economy permits, surplus products from current production to be used for reparations.

(f) Plan for level of industry to balance considerations of security against the interests of the Allies in obtaining reparations and other economic considerations.

Paring down of German industry important feature of German demilitarization.

(g) Germany not to be left in an economic vacuum: Importance to world economy.

(h) Control of German discriminatory trade practices.

POLAND

Represented by: M. Leszczycki and M. Wierblowski.

Date of Hearing by Deputies: 27th January, 1947.

Documents:

1. Memorandum: Views of the Polish Government, January, 1947 (CFM(D) (47) (G) 62).

2. Statement by M. Wierblowski, of the Polish Delegation, at the meeting of the Deputies for Germany, 27th January, 1947 (CFM(D) (47) (G) 27).

1. Poland has sustained heavy losses in the war and therefore the problem of security from fresh German aggression is fundamental to Polish policy. Hence Polish interest in the German settlement and European peace.

2. To secure peace and security throughout the whole world the Great Powers should set in operation for a long period a thoroughly effective and comprehensive control over Germany. Need for unanimity between Great Powers.

3. Right up to the moment when the Treaty comes into force the ultimate power in Germany should be vested in the Allied Control Council.

4. Disarmament can only be given real value by demilitarization, which is connected with another extremely important problem, denazification. Importance of Allied control in this respect.

5. Punishment of the Hitlerite war criminals.

6. Democratic re-education of the German people.

7. Political unity of Germany should be conditional upon success in democratization. It will facilitate Allied control.

8. Necessity to complete the liquidation of Prussia.

9. Request for final definition of the Polish Western frontier at the Peace Conference.

10. The necessity of economic unity.

11. Reconstruction of the devastated countries in Europe should progress faster than the reconstruction of the German economy.

12. Reparation deliveries out of capital equipment and current production.

13. Poland's losses and damage in the field of culture, science, sanitation, should be replaced by German equipment of equal value.

14. Liquidation of all forms of cartelised and monopolistic concerns in Germany.

15. Poland's economic claims.

UNION OF SOUTH AFRICA

Represented by: Mr. E. K. Scallan.

Date of Hearing by Deputies: 24th January, 1947.

Documents:

1. Statement on procedure by the Government of the Union of South Africa, 14th January, 1947 (CFM(D) (47) (G)7).

2. Statements by Mr. Scallan and Mr. Sole, of the South African Delegation, at the meeting of the Deputies for Germany, 24th January, 1947 (CFM(D) (47) (G)23).

3. Memorandum: Draft outline of proposals by the South African Government for the Association of the Active Belligerent Powers with the further (post-Moscow) examination of the German problem, 28th January, 1947 (CFM(D) (47) (G)26).

GENERAL OBSERVATIONS:

The Government of South Africa favour (1) Political conditions which will secure the world against any German reversion to dictatorship or any revival of German aggressive policy; (2) Economic conditions which will enable the Germans and the world outside Germany to benefit from German industrial resources; (3) Constitutional machinery which is acceptable to the German people.

South African Government is gravely disturbed about the economic situation in Central Europe and stresses the urgency of a speedy and fair settlement.

ECONOMIC PROBLEMS:

The South African Government urges that the scale for German economic activity under the Potsdam Agreement be immediately reviewed and improved; coal deliveries, reparation deliveries and the dismantling of industrial plants be reconsidered; and the food situation improved.

FUTURE CONSTITUTIONAL SET-UP:

South Africa favours a decentralized, federalized Germany . . .^{72a} eliminating Prussia, and with a central German Government to express German unity for economic, diplomatic and other essential purposes.

^{72a} Dots appear in the source text.

GERMAN BOUNDARIES:

The South African Government deprecates moving the eastern boundary of Germany to or beyond the Oder.

The association of the Saar with France should be limited to its integration into the French customs and economic system.

The South African Government agrees in principle with the minor boundary adjustments proposed by the Governments of Belgium, Luxemburg and the Netherlands.

The South African Government will study the boundary claims of the Government of Czechoslovakia.

The South African Government believes all governments directly interested should be entitled to participate in the work of the boundary commissions.

THE RHINELAND-RUHR:

The Rhineland-Ruhr problem calls for special treatment; and requires assurance that the Ruhr is not prevented from making an important contribution towards economic recovery.

DISCUSSION OF PROCEDURE: [Page references were given here in source text.]

UKRAINE

Represented by: M. Senin.

Date of Hearing by Deputies: 7th February, 1947.

Document: Statement by M. Senin of the Ukrainian Delegation at the meeting of the Deputies for Germany, 7th February, 1947 (CFM (D) (47) (G) 48).

1. Vital interest of the Ukraine in the settlement of the German problem.
2. History of German aggressive designs against the Ukraine.
3. Great sufferings experienced by the Ukrainian people at the hands of the Hitlerite invaders.
- Total damage to property exceeds 285 milliard roubles.
4. Contribution of the Ukraine to the war effort of the United Nations, including guerrilla activities.
5. Germany to make good in kind to the fullest possible extent the damage sustained by the Ukraine, by means of removal of German industrial equipment including removals from the western zones of occupation.
6. Prussianism and Junkerdom must be eradicated, together with the magnates of monopolistic capital.
7. Political and economic conditions to be created for Germany which will guarantee security and prevent aggression in the future.
8. Germany to be deprived of her industrial war-potential, in which all Germany's war industry must be included.

9. Prolonged period of joint Allied control required for that part of heavy industry which Germany retains, especially in the Ruhr area.

10. War criminals and collaborators, including those in Displaced Persons Camps in Germany must be dealt with. Organizations of persons of Ukrainian origin to be prohibited. Displaced Persons Camps to be closed and their inmates repatriated.

11. Complete denazification demands that the existence and activities of Fascist or similar organizations be prohibited, and that active Nazis should not occupy responsible positions in any sphere of German life.

12. Germany to be a single democratic state with local self government for the Laender.

YUGOSLAVIA

Represented by: M. Ivekovic and M. Vilfan.

Date of Hearing by Deputies: 28th January, 1947.

Documents:

1. Memorandum by the Yugoslav Government, 29th January, 1947 (CFM(D) (47) (G) 32).

2. Statement by M. Ivekovic, of the Yugoslav Delegation, at the meeting of the Deputies for Germany, 28th January, 1947 (CFM(D) (47) (G) 30).

1. The starting point for the solution of the problem of post-war Germany is the military, economic and spiritual disarmament of Germany.

2. The common policy of the occupation authorities is to be based on the economic unity of Germany according to the Potsdam decisions, which also do not aim to destroy the political unity of Germany.

3. The liquidation of Prussia as the primary instigator and torch-bearer of German aggression.

4. The territorial claims of Poland towards Germany are entirely justified.

5. The claims of Czechoslovakia for the adjustment of her frontier with Germany are justified for reasons of security.

6. It is necessary to guarantee the basic national rights of the Lusatian Serbs in Germany.

7. German minority problems in Eastern and South-Eastern Europe to be settled.

8. Claims of France and Germany's Western neighbours are considered sympathetically.

9. A clear and final policy should be adopted in regard to the level of German industry in accordance with the Potsdam Decisions.

10. The problem of reparations is the corner-stone of the entire economic policy of the Great Powers towards Germany. Hitherto the above policy has diverged fundamentally from the decisions of the Crimea and Potsdam Conferences.

11. The occupation authorities in Western Germany are delaying the delivery as reparations of German industrial equipment. So far, Yugoslavia has received on account of German reparations hardly 0.04 per cent. of the total sum of losses (nine billion American dollars).

12. In Western Germany, German trusts and combines have not been liquidated as stipulated in the Articles of the Potsdam Decisions.

13. German economy is being restored at the expense of Germany's victims.

14. Full denazification of German public and economic life in Western Germany has not been accomplished.

15. Concrete proposals by the Yugoslav Government in order to arrive at an immediate solution of the question of reparations.

PART II

A.—VIEWS OF THE ALLIED GOVERNMENTS ON THE PRINCIPAL ASPECTS OF THE GERMAN PROBLEM

1.—DISARMAMENT, DEMILITARIZATION AND MILITARY CONTROL

AUSTRALIA.

Provisions for the immediate demilitarization of Germany should be incorporated in an inter-Allied interim agreement.

Permanent demilitarization should be settled by the Peace Treaty.

Australia agrees with the principle referred to in paragraph three of the Potsdam Agreement.

BELGIUM.

The Belgian Government considers that the essential task facing the Allied Powers is to ensure the security of Germany's neighbours through disarmament and other means, and that they are fully entitled to take certain precautions against the re-establishment of an economic potential, capable of becoming a danger to that security.

Certain forms of production, which can easily be converted for military ends, should be forbidden.

In order to avert German re-armament, the import into Germany of war materials should be prohibited and the import of the means to manufacture them should be prohibited, or at least placed under strict control.

As regards the military control of Germany, the American proposal for disarmament and demilitarization of Germany is an efficient way, through the concerted action of the Great Powers, of stopping Germany from becoming once again a danger to the peace of the world, and it is desired that such a treaty be established in the near future.

After the evacuation of other parts of Germany has been completed,

a regime of military occupation should be retained in the Ruhr and Rhineland districts, to safeguard the security of the whole country.

BRAZIL.

No comments.

BYELORUSSIA.

(a) Germany must remain disarmed and demilitarized for at least 40 years and the following measures must be imposed:

Germany to be prohibited from having armed forces, land, naval or air; all kinds of military and para-military organizations to be abolished; any system of reserves to be prohibited. The Allies must take measures against the retention of the organ of the German General Staff, and against the existence of conditions whereby the training of an officers' corps would be possible inside Germany or beyond its frontiers.

No financial basis to be allowed outside Germany for the preparation of a new war.

No secret laboratory to remain in Germany or abroad for the revival of war industry.

All kinds of militaristic activities and propaganda to be prohibited by law.

(b) These measures must be accompanied by the liquidation of the military economic potential of Germany:

By the immediate carrying out of a programme of military and economic disarmament of the Ruhr area.

By the destruction of trusts and cartels and by placing the management of all the largest industrial, transport, commercial and banking institutions in the hands of democratic organs. The liquidation of the economic bases of Prussian Junkerdom, the historic stronghold of reaction and hotbed of aggressive aspirations of Germany.

CANADA.

"The Canadian Government favours the complete demilitarization of Germany." Measures to be taken should include safeguards against clandestine preparations for rearmament and the prohibition of the construction or possession by the Germans of weapons adaptable to mass destruction. Germany should be left with only a police force for purposes of domestic security.

Effective international safeguards must be established against violations and evasions by Germany. In the Canadian Government's view the demilitarization of Germany cannot be related to any general arms reduction plan adopted by the United Nations. It may, however, be expedient to use the machinery to be established under the United Nations for purposes of inspection and control. The German settlement should both contain specific provisions for the abolition of German armaments and armed forces, and also specify the action to be taken

by the Powers concerned in the event of a German violation of the provisions relating to disarmament.

CZECHOSLOVAKIA.

Czechoslovakia examines the German problem from the point of view of security, which demands "the liquidation, by means of complete military disarmament, of material conditions for a fresh German aggression."

Czechoslovakia considers the Declaration Regarding the Defeat of Germany of 5th June, 1945, of the Four Great Powers, and the Potsdam Agreement, as a basis for the fulfilment of these conditions.

Czechoslovakia considers the sole guarantee of security to be military control in the form of long term quadripartite military occupation. This control should apply to all spheres of German social life and should guarantee the fulfilment by Germany of her obligations. Military control to continue until such time as the following conditions are realised :—

(a) the absolute certainty that Germany has not the material possibility of again becoming an aggressor ;

(b) the knowledge that the will of the German people is no longer directed to this end.

DENMARK.

Denmark, as one of the earliest victims of German aggression, "has an especial interest in the complete disarmament of Germany and in seeing that German militarism is lastingly exterminated." The Danish Government assume that effective measures will be undertaken to prevent the military training of German youth and the reappearance of a German munitions industry. When the occupation forces are withdrawn from Germany, the Danish Government assume that it will be necessary to retain special organs of control which can be placed under the jurisdiction of the Security Council of the United Nations.

GREECE.

No comments.

LUXEMBOURG.

The settlement of the German question must be governed absolutely by considerations of security.

The Allies must concentrate first and foremost, in common agreement and in accordance with the principles laid down at Potsdam, on the total and permanent disarmament and demilitarization of Germany.

NETHERLANDS.

(a) "To prevent German aggression in future, a durable disarmament of Germany is essential":

- by the prohibition of the manufacture of armaments of all kinds in so far as these are not required for arming the police forces;
- by measures appropriate to meet the problems of atomic energy, self-propelled weapons, armour and connected items;
- by the supervision of engineering works, of certain chemical industries and of shipyards;
- by the supervision of the police, fire brigade, air-raid precaution and customs organizations;
- by an Allied control on the importation of arms into Germany, as well as on importation of scarce raw materials that may be used by the armament industry. The Allied Powers should also mutually agree to exercise control on exports of that nature from their countries to Germany.

(b) The Netherlands Government approve of the American draft treaty aiming at the demilitarization and disarmament of Germany.

They believe that such a treaty should be fitted into the framework of the Charter of the United Nations, more particularly of Chapter VIII concerning regional arrangements.

They request that, beside the Four Great Powers, all other Allied States neighbouring on Germany, namely Belgium, Czechoslovakia, Denmark, Luxembourg, the Netherlands and Poland may, if they so desire, be able to participate in such a Treaty.

(c) *Military Control*.—1. The Allied military occupation should eventually be restricted to a certain number of strategic areas and points.

2. "The military boundaries of the zones of occupation could be abolished."

3. "The armies of occupation might then be gradually converted to a police force on a military footing, subordinate to the highest civil occupying authority."

NEW ZEALAND.

The New Zealand Government considers that the draft treaty on disarmament and demobilization of Germany submitted by the Secretary of State of the United States in 1946 offers a suitable basis for discussion of these problems. The New Zealand Government considers that the demilitarization of Germany should be complete and continuous, keeping pace with the progress of invention.

NORWAY.

In spite of her weakened condition, Germany if left to her own devices might re-emerge as a strong military power.

The Norwegian Government assumes that the re-establishment of military forces will be prohibited and that controls will be retained to prevent this, even after the end of Allied occupation, within the framework of international security of organizations.

Demilitarization must apply to para-military organizations, to military instruction and to industrial production.

The Norwegian Government link this problem with that of denazification and of the level of industry, to which reference should be made.

Restrictions must be placed on Germany's Merchant Navy which had been used as an auxiliary for the armed forces and as a training pool. This applies especially to trawling and whaling ships, but in general Germany must be prevented "from acquiring the ownership of or controlling interests in ships of certain types and above certain sizes."

Control during a limited period over certain features of German life is required beyond the conclusion of peace until "the political views of the German people and of the responsible German authorities no longer constitute a menace to peace."

POLAND.

The decisions of the Potsdam Agreement on the question of democratization and pacific reconstruction of Germany by means of disarmament, demilitarization and denazification are the necessary conditions of an international order.

"Uniformity in the principles of implementing the programme of disarmament, demilitarization and denazification on the territory of the whole of Germany will determine the efficiency of the realization of this programme; and the achievements in the process of implementation will be decisive in determining the possibility of concluding a Peace Treaty."

The speed of Germany's disarmament up to the present time has been too slow. Disarmament can become real only on condition that demilitarization is carried out.

"Together with the destruction of war industries as centres of German militarism, we have to prevent the creation of cells around which militarism could be rebuilt, by methods like para-military organizations and youth organizations of a military character, similar to those created after 1918."

After the coming into force of the Peace Treaty, Germany should—until her full democratic and peaceful reconstruction is completed—continue to remain under the control of Allied Civil and Military Authorities on the territory of Germany.

UNION OF SOUTH AFRICA.

The South African Government supports demilitarization and such military supervision as is necessary for Germany. The fundamental aim should be to prevent the re-emergence of strong military power.

UKRAINE.

Full disarmament and demilitarization is the most important task facing the Allies in Germany. For this end it is essential not only to

abolish the German Army, its General Staff and all military organizations and to destroy the whole of Germany's war industry, but also to eradicate the social basis of German militarism—that is, the Prussian Junker class, and the magnates of German monopolistic capital, since these elements are the carriers of German militaristic ideology and of the imperialistic schemes of Hitlerite Germany.

The realization of these measures should create such political and economic conditions in Germany as would guarantee security and prevent aggression in the future, which is the primary interest of the Ukrainian people.

YUGOSLAVIA.

The Yugoslav Government considers that the starting point for the solution of the problem of post-war Germany is the "military, economic and spiritual disarmament of Germany carried out over a long period of Allied occupation and control." The destruction of the economic foundations of German imperialism is closely connected with successful denazification—purging German economy of Nazis—the breaking up of cartels, syndicates, trusts and other associations of a monopolistic character, and the liquidation of the large landed estates as the economic basis of the Junkers.

The Yugoslav Government indicates the necessity for the liquidation of Prussia as the basis of German aggression against her eastern neighbours and other nations.

2.—TERRITORIAL PROBLEMS AND CONTROL OF SPECIAL AREAS

AUSTRALIA.

The fixing of Germany's frontiers should be based on the Atlantic Charter and on the Charter of the United Nations, taking into account, however, that certain claims made on grounds of security may be of paramount importance. Account should be taken of the effect on the economy of Europe as a whole which any particular change might have.

The major German frontier questions will be the Polish-German boundary, the future of the Saar, the Ruhr and the Rhineland.

The Australian Government has not yet undertaken any commitment on these questions and urges that they be decided according to the principles and by the methods outlined above.

The agreement with Germany should include provision for review, subject to safeguards against abuse.

BELGIUM.

There should be established a regime of military occupation in the Ruhr and Rhine Districts after the evacuation of the rest of Germany has been completed. "The military occupation of a region may be a

means of exerting pressure on the remainder of the territory. From this point of view, the purpose of the regime envisaged would also be to guarantee the carrying out of the measures imposed on Germany as a whole, both politically and economically."

Elements of the French, Luxembourg, Belgian, Dutch and British Armies would take part in this occupation, which would be maintained as long as political circumstances demanded.

A collective organization made up of one delegate from each of the governments whose troops take part in the occupation would be set up, modelled on the Supreme Inter-Allied Commission for the Rhineland set up by the Rhineland Agreement annexed to the Versailles Treaty.

The Belgian Government considers that "the economic system of the regions of occupation [Ruhr-Rhineland] should be subject to special control measures. On the territory of the whole area occupied the carrying into effect of the measures taken in Germany in order to ensure economic disarmament should be supervised. Should need arise, appropriate sanctions will have to be imposed in cases of infringement of the statute to be imposed on Germany."

The Belgian Government considers that "in order to carry out these tasks [of industrial control] an international body would be set up consisting in any event of the representatives of the five occupying Powers. The participation of other States in this organization would depend on the measures taken by the Great Powers within the framework of their general policy concerning Germany."

BRAZIL.

The Brazilian Government is ready to support the proposals of France for the internationalization of the Ruhr and for the creation of a special economic regime for the Saar, on the understanding that carrying these measures into effect will not harm the supplies indispensable to the normal economy of the German state, as measures supplementing, on a different plane, the decisions taken at Yalta and Potsdam.

BYELORUSSIAN S.S.R.

The Ruhr area is of vital interest to all the Allied Nations and must be submitted to a special regime different from that in any other part of Germany.

The Ruhr area, although remaining a component part of Germany, must be placed under the control of the United States of America, France, the United Kingdom and the Soviet Union in order to prevent the re-establishment of a war-economic potential and its transformation into a hotbed of new aggressive wars.

CANADA.

"The frontiers of Germany should be drawn with a view to securing in the European States system as great a measure of stability as possible." For this purpose large numbers of Germans should not be allowed to remain outside Germany's frontiers. Transfers of population may assist in avoiding this, but "extensive movements of population which are made on political grounds without reference to economic and social conditions have grave disadvantages and may create serious dangers."

The boundaries of Germany should therefore be drawn, so far as possible, on an ethnic basis, but this does not, of course, mean the inclusion of Austria in Germany.

When the total occupation of Germany ends, industries in certain areas such as the Ruhr should be administered by an international authority composed of representatives of all Allied countries having a major trading interest with Germany. The control of industries in such special areas should not be abandoned until Germany has acquired a new understanding of her responsibility for the prosperity of Europe as a whole.

CZECHOSLOVAKIA.

As regards the Ruhr and Rhine Districts, Czechoslovakia will support an agreement which, on the one hand, will not place the economic resources of these districts outside the framework of an all-German economic system, and, on the other hand, will ensure effective control on the part of the occupying Powers. In the event of countries other than the occupying Powers being invited to participate in the control of this territory, the Czechoslovak Government consider its participation in the control of these districts as justifiable.

DENMARK.

No observations.

GREECE.

No observations.

LUXEMBOURG.

The views of the Luxembourg Government in this respect are governed by the primary problem of security.

(a) The Ruhr.

Luxembourg proposes that exports of coal, steel and electricity from the Ruhr should be controlled by international bodies comprising representatives of the neighbouring countries and that in addition control should be exercised throughout Germany over the utilization of these commodities.

Without going yet into the details of the proposed organization, the Luxembourg Government expresses the opinion that the aims pursued could be attained even if the Ruhr territory were kept inside the framework of the Federation or of the future German economic system, provided the Germans do not actually have control.

(b) *The Rhineland.*

The status of the Rhineland should be that of a security zone including the whole left bank of the Rhine, and a minimum of territory on the right bank.

The Rhineland should comprise one or more self-governing German states which could eventually adhere to a confederation and to a unified German economic system, should the population so decide.

Military occupation of the Rhineland should last as long as circumstances render necessary, irrespective of the occupation of the rest of Germany. Luxembourg is prepared to participate.

The regime applicable to the Rhineland should be placed under the permanent control of an international body which should necessarily comprise representatives of Germany's western neighbours.

NETHERLANDS.

(a) *The Saar territory.*

The Netherlands Government appreciate in principle the French *desiderata* concerning the Saar. But the Netherlands Government deem it desirable that a decision on the Saar territory should be taken together with the decision regarding the *desiderata* formulated by the other western countries neighbouring on Germany.

(b) *The Rhineland and the Ruhr.*

Special measures of security are required, but their degree will depend on the statute to be projected for Germany; if consistent political decentralization of Germany is achieved and if deconcentration of economic power in Germany is accompanied by effective demilitarization and disarmament, it stands to reason that there would be no necessity to conceive for the Rhineland and the Ruhr measures differing completely from the general projects.

It would then be sufficient:

- to create a separate regime for industries;
- to impose stricter sanctions in the event of German infringements;
- to ensure the application of the regime for a long period (of a duration at least equal to that envisaged for the treaty concerning disarmament and demilitarization);
- to maintain allied occupation at a certain number of strategic points for a longer period;

the troops for this occupation should be supplied by the Allied Powers, primarily responsible for preventing a German aggression in Western Europe.

NEW ZEALAND.

While doubtful that a sufficient degree of acquiescence on the part of the German people in the peace settlement will be realised if portions of historical German territory are detached from Germany, the New Zealand Government recommends that careful study be given to the question of providing physical guarantees against a revival of German aggression by detaching and placing under international control certain areas which are vital to Germany's war potential, if some such detachment may be a lesser evil to the alternative of the freedom of a large and powerful Germany to resume without effective check her former courses of aggression. The New Zealand Government does not commit itself to support any specific proposal for territorial revision.

NORWAY.

A particularly strict control will presumably be required in the Ruhr district with its concentration of heavy industries.

POLAND.

The Polish Government "expects from the Peace Conference the formal, final confirmation of our Western frontiers."

UNION OF SOUTH AFRICA.

The South African Government opposes any attempt to block off large, specifically German, homelands for incorporation into weaker neighbouring countries and it would therefore deprecate moving the eastern boundary of Germany to or beyond the Oder. The South African Government believes that "a moderate readjustment of boundaries in favour of Poland should be feasible."

The South African Government recognizes the economic importance of the Saar to France. It urges that the association of the Saar with France be limited to its integration into the French customs and economic system.

The South African Government agrees in principle with the minor boundary readjustments proposed by the Governments of Belgium, Luxembourg, and the Netherlands, subject to further scrutiny. The South African Government defers for study the claims for boundary adjustments put forward by the Government of Czechoslovakia.

The South African Government believes that it would be unwise to divorce the policy adopted toward the Rhineland and Ruhr from the policy adopted towards the rest of Germany. Special control measures should not operate to prevent the Ruhr from making a most important contribution toward the economic recovery both of Germany itself and

of the neighbouring countries. The retention of the Rhineland-Ruhr region as part of a decentralized, federalized Germany, with special measures of Allied control will be the most appropriate solution to this problem.

UKRAINE.

Control of the Four Powers must, in the first place, be established for the industry of the Ruhr, which is the arsenal of German militarism.

YUGOSLAVIA.

The Yugoslav Government considers necessary the destruction of German domination over the Polish territories to the East of the Oder and Neisse. The territorial demands of Poland towards Germany are entirely justifiable.

The claims of Czechoslovakia for the adjustment of her frontier with Germany are justified for reasons of security.

Claims of France and Germany's Western neighbours are considered sympathetically.

3.—POLITICAL QUESTIONS

Constitutional Structure

AUSTRALIA.

The principles of Allied policy in Germany should be incorporated in an interim agreement, prepared and signed by all effective belligerents. This agreement would, in fact, be no more than an enlargement of the agreement concluded at Potsdam, with the principles of which Australia agrees.

Potsdam provisions concerning decentralization of political structure and restoration of local self-government should be uniformly executed.

The interim agreement should permit of the immediate establishment of the central German administrative departments provided for at Potsdam.

With regard to the proposal by the former United States' Secretary of State to establish a provisional Central German Government, Australia draws the attention of the Deputies to the necessity, should this proposal be approved, of obtaining advice from responsible democratic Germans as soon as possible. To that effect, a special committee of the present Conference could be established for the purpose of formulating the principles to be adopted in this matter by the Control authorities.

The Australian Government does not think that speed is desirable in setting up a central Government (as distinct from central government departments which would be necessary now). Therefore, any Govern-

ment that may be set up should be provisional and fully subject to Allied direction and control so that the Germans may serve their apprenticeship in democracy.

The Australian Government stresses the danger of forcing rigid political rules on the Germans before they have been able to decide for themselves on the choice of the most suitable political solution about union, federation or confederation. Not advisable to force a solution upon the Germans as this could lead to a resurgence of Fascism.

BELGIUM.

The Belgian Government consider that Germany's unity was the primary condition in the success of her attempt to establish supremacy. Any division of this unity contributes to the security of her neighbours. Nevertheless, too radical a solution of this problem, such as the definite amputation or the entire breaking up of her territories, by deeply wounding national pride, would give rise to a ferment of rebellion.

Germany should be established as a confederation of states. These will agree on the delegation of certain powers to a central body. Such powers should be limited to certain activities, destined to safeguard the economic unity of Germany, *e.g.*, commercial policy, trade treaties, tariffs, commercial law, currency and credit, transport, communications and certain other economic functions.

In the view of the Belgian Government the framework of the constitutional structure would be drawn up by the Allies and would be embodied in the Treaty signed by the Governments of the German states. These Governments must themselves first be set up and must have a constitution and be regularly established.

BRAZIL.

The Brazilian Government considers it indispensable to destroy the unity of the Reich and to support any measure aiming at the autonomy of the countries which constitute the Reich. It supports a federal structure in Germany endowed with an economic regime "which will proscribe internal customs barriers and render possible the balance of power between the federated states".

BYELORUSSIA.

There must be a unified Germany within which "wide democratic powers are given to the local organs of self-government in the 'Laender' and provinces." Dismembered into small states, Germany would not be viable either in an economic or political sense. Such dismemberment would evoke profound discontent among the German people and convert the centre of Europe into a new hotbed of unrest.

The dismemberment of Germany could also provide a basis for a struggle among other powers for the inclusion of German states into their spheres of influence and thus it would bear the seed of future international conflicts.

CANADA.

The Canadian Government believe that a German state of some kind will have to be reconstituted; but that to prevent a centralized state becoming the instrument of despotism and armed aggression this state should be federal and not unitary in character. Decentralization can be made acceptable if carried out in the economic, as well as in the political, fields. The political authority of the German States and the economic ties between the various parts of Germany and the neighbouring sections of Europe, should be developed.

Since the German people have not yet learned "to impose the restraints upon all Governments, both central and local, which are present in a truly democratic community," the central Government of Germany should be granted only such authority as is necessary to maintain essential common services. The residual authority should rest with the member States and the central Government's powers should be strictly circumscribed, particularly in financial and military matters.

The relations between the central Government and the Governments of the states should be defined in a formal Constitution. This Constitution should be so conceived that it ensures the democratic control of government by the German people. A popularly elected legislature should have direct control over the executive.

CZECHOSLOVAKIA.

The Czechoslovak Government considers the problem of Germany's political structure as secondary to the establishment of effective Four Power Control.

The Czechoslovak Government cannot agree with such plans for the federalization of Germany as have hitherto been officially published. In the form submitted these plans do not solve the problem of control and could create a basis for the concentration of reactionary, nationalistic and aggressive forces.

Federalization might have a bad effect on the development of affairs in Germany. The idea that federalization would deprive Germany of her dangerous character might lead the Allies, particularly the more distant ones, to diminish their vigilance. In Germany itself the enforced dismemberment of the country against the wish of the people might give impetus to pan-German nationalism and lead the Great Powers to follow divergent policies.

Need of complete and permanent abolition of Prussia.

DENMARK.

"The Danish Government hold the view that in order to counteract the formation of a new dictatorial central power in Germany it would be desirable to carry out administrative decentralization whether Germany becomes a federation of states, a federal state or a unified state".

GREECE.

The Greek Government believes that a proper degree of political decentralization "might well be secured through a confederation of German states." The Government notes that a strongly centralized Germany "may again become a threat to the peace of the world" and that while a certain amount of centralization may be "indispensable, some check must be exerted on the central machinery through the moderating and centrifugal influences of the component German states".

LUXEMBOURG.

The unification of Germany made Prussian supremacy possible; the fact that it was achieved was the cause of the three last wars, the fact that it was respected by the Versailles Treaty was the origin of the Hitler adventure. Therefore, it is of primary necessity to decentralize Germany in accordance with the Potsdam Agreement.

The solution of the problem resides in the setting up of autonomous German states, free to join or remain outside an eventual confederation or the regime of economic unity provided for by the Potsdam Agreement. In the event of a confederation appearing necessary, it would be advisable to proceed from the bottom upwards. By giving the provinces of Prussia the independent status of the other German states, this political transformation will result in the liquidation of Prussia. In accordance with these principles, the new political and territorial organization of Germany should be drawn up by an inter-allied commission of experts co-operating with representatives of the states to be set up.

The competence of the confederation should be kept strictly within the limits set by its new status. Furthermore, the provisions relating to this new political organization should be included in an international agreement (peace treaty or any other international instrument). in order that Germany be bound and under the obligation to carry out such organization.

NETHERLANDS.

Germany should be established as a confederation of states rather than a federal state.

It should be considered whether the provisional boundaries of the 'Laender' should not be modified in the light of political, ethnographical, historical, geographical, economic and social factors.

The organization of the 'Laender' should be strengthened by constitutional laws before central German ruling bodies are formed.

It would be advisable to grant the German Government only the powers which would be delegated by the 'Laender' and to include in the constitutions of those 'Laender' regulations under which certain powers cannot be delegated to the central Government.

NEW ZEALAND.

The New Zealand Government considers that the Germany most likely to be a peaceful member of Europe would be constituted as a federation in which Prussia would be broken up into regions which would serve as constituent federal units and in which territorial reorganization would be effected, eliminating obvious anomalies of size or population among federal states. The New Zealand Government recommends that local autonomy be encouraged and that the powers left to the central authority be restricted to limited functions.

NORWAY.

There is no indication of any trends in Germany favouring partition, and partition at the dictation of the victorious powers would strengthen rather than weaken German nationalism and render difficult a uniform solution of economic problems. Political unity must be maintained. A thorough decentralization of administration is required in the interests of security. The local units should be given a high degree of autonomy, particularly in the cultural and educational spheres and the authority of the central Government limited to the fields of foreign policy, public finance, economics and communications where central leadership is necessary. The German police must be decentralized and administered exclusively by the local authorities. This process should include the prevention of Prussia from playing a dominant role in German political life. A basic change in the social order is necessary.

POLAND.

Germany's political structure should not be strongly unified. Progress in the field of democratic and peaceful reconstruction is a prerequisite for the settlement of Germany's political status.

There is no necessity to dismember Germany into a series of almost autonomous states. The wheel of history cannot be reversed.

"If Germany is broken up there will be a strong tendency towards unity again, a tendency which, while strengthening all chauvinist and reactionary forces of a pan-German character, will favour in no lesser degree harmful outbursts of regional nationalisms."

Were Germany dismembered, it would be difficult to establish a single and effective control over Germany.

Liquidation of Prussia.

This question has already been partly decided from the territorial point of view. Prussia must, however, be liquidated as an administrative unit and with the aid of agrarian reforms the stronghold of the Junkers must be destroyed.

An end must be made of Prussian militarism, of the eternal Junker spirit of conquest, and of the "Drang nach Osten".

UNION OF SOUTH AFRICA.

"South Africa favours a decentralized, federalized Germany following as far as convenient the traditional and historic lines of division but eliminating Prussia and with a central German Government to express German unity for economic, diplomatic and other essential purposes." The fundamental aim should be to prevent the re-emergence of strong military power but in other economic and social respects not unduly to limit German development, so that eventually she may once more be able to play her part as the great nation she is and as a full member of the European polity. The South African Government proposes that a joint allied and German body be set up after the signing of the Peace treaty, to draft a German constitution in accordance with the principles laid down by this treaty.

UKRAINE.

Germany must be a single democratic state with local organs of self-government in the *Laender*. The central Government must be elected by the people. Complete denazification and democratization are the prerequisites for the establishment of such a state.

YUGOSLAVIA.

The Potsdam decision concerning decentralization of the political structure and development of local responsibility is recalled.

It has not been the aim of the Allies to destroy the political unity of Germany.

"No policy applied in the transitional period can achieve the permanent partition of Germany, which was the creation of historical developments".

Denazification and Democratization

AUSTRALIA.

Australia agrees with paragraph 4 of the Potsdam Agreement, but considers that a clause similar to Article 15 of the Italian Treaty, ensuring human rights and fundamental freedoms, should be inserted in the suggested interim Agreement.

Australia agrees with paragraph 6 of the Potsdam Agreement relating to denazification, on the understanding that uniform measures

be taken throughout Germany and that former Nazis be brought to trial as soon as possible.

Australia urges that, in accordance with paragraphs 2, 7 and 8 of the Potsdam Agreement, uniform measures shall be taken throughout Germany in respect of education and justice and suggests the creation of a central education department.

BELGIUM.

The Belgian Government approves the laws regarding denazification enacted by the Control Council.

"The fundamental problem in Germany is the establishment of a stable democratic and peaceful regime by gradually substituting in place of restraint the free co-operation of the German people".

BRAZIL.

No comments.

BYELORUSSIAN S.S.R.

(1) *Denazification.*

Democratization and eradication of Fascism must be preceded by a radical purge of Nazis and their hangers-on from all spheres of political and economic life, particularly the democratic organizations, parties and the trade unions. Active Nazis have not yet been completely removed from organs of German administration, public organizations, private enterprises, the educational system and other institutions. Despite the Berlin decisions, industrial magnates, active Nazis, are allowed to retain responsible posts. The aims and tasks of the democratization of Germany require the most rapid and determined completion of denazification.

(2) *Democratization.*

Mass democratic organizations (democratic parties, trade unions, etc.) must be widely drawn into the process of democratization of Germany, denazification of the administrative apparatus and eradication of the Fascist ideology.

The trade unions in Germany must be unified and developed throughout German territory.

A democratic land reform will destroy the economic basis of Junkerdom and undermine the forces of reaction and militarism.

CANADA.

No specific comments on denazification.

The Canadian Government insists on the need for democratic control of Government in Germany by the German people (see under constitutional structure).

CZECHOSLOVAKIA.

Every effort should be made to develop a new democratic spirit in Germany particularly through the control of cultural life. All ideologies which could serve as a basis for the rebirth of future aggression should be suppressed and all material bases of German imperialism and aggression liquidated.

One of the conditions of future democratic development in Germany is the removal of all active Nazis, members of the S.A., S.S. and other Nazi organizations, not only from key positions, but from any posts they may fill in administrative organs and in the economic life of Germany.

DENMARK.

The Danish Government assume that denazification will be carried out in such a way as to prevent former active members of the Nazi Party from occupying leading posts in German public life.

Teaching in schools, etc., should not be used "to force upon coming generations an ideology of a character similar to Nazism." Education in democratic methods would also be assisted by political decentralization and the encouragement of local autonomy.

GREECE.

No comments.

LUXEMBOURG.

Denazification and the punishing of war criminals must not only be a matter of justice but must constitute a great lesson for Germany in the future. Denazification is to be applied to the whole of German territory.

NETHERLANDS.

The denazification policy in Germany must be closely supervised by the Allies. It is a dangerous thing to leave denazification to the Germans; they might be either too lenient or too severe.

NEW ZEALAND.

The German people should be helped to break the domination of those elements in German society which have been the chief supports of German militarism. Treaty obligations to be honoured by the German Government should provide for such land reform and measures designed to break dangerous monopolies as have not been completed under the occupation.

NORWAY.

The necessary measures must be taken to prohibit Nazi organizations and propaganda and "to prevent persons who have been politi-

cally prominent during the Nazi regime from occupying leading positions in the political, administrative or economic life of Germany." The Norwegian Government lays stress on the spiritual regeneration of Germany. The democratic re-education of the German people must be the ultimate aim of Allied policy. It must mainly be a German concern; the necessary support must be given to elements working towards this end. It may be desirable to keep the educational system under control for a period of time.

As one of the methods of breaking down the spiritual isolation caused by the Hitler regime the Allied authorities should grant the German people the widest possible freedom of expression.

POLAND.

Denazification and re-education together with disarmament and demilitarization are the fundamental demands of the Polish Government. In the realm of re-education the Polish Government recommends the adoption of all possible measures for "transformation of the German mentality and the development of democratic institutions".

Achievements in the sphere of denazification throughout Germany have been insufficient.

The importance of the democratic education of the younger generation of Germans on the foundation of a constructive long-term plan of re-education is emphasized.

Poland considers that the realization of a plan of pacific and democratic reconstruction of the German state is a prerequisite for the signing of a peace treaty.

UNION OF SOUTH AFRICA.

No comments.

UKRAINE.

In order to bring about full denazification, Germany must be obliged not to permit the existence or activities of Fascist or similar organizations, which aim at depriving the people of its democratic rights or conducting propaganda hostile to the United Nations. It is also essential to prohibit former active Nazi-party members and persons who actively supported the Hitler regime, from occupying any responsible positions in the machinery of State, in local government, in the police, in industry, in ideological institutions and so on.

All attempts at Nazi or militaristic activity or propaganda must be severely punished.

YUGOSLAVIA.

Successful denazification is a necessary condition for the destruction of German imperialism and aggression. "On the other hand, a

consistent policy of denazification will bring about through practical experience common forms of organization of the German economy.”

The democratic re-education of the German people should be carried out by gradual participation in local administration.

Political Controls

AUSTRALIA.

Problems of control should be settled by the interim Agreement, which would give the present machinery full Allied sanction.

The Australian Government also proposes that an inter-Allied body for Germany be established on parallel lines to the Far Eastern Commission.

BELGIUM.

No specific suggestions made.

BRAZIL.

No comments.

BYELORUSSIAN S.S.R.

Strict control on the part of the four Allied Powers over the whole of Germany's economic and political life provides an indispensable guarantee of security as long as the roots of German militarism have not been destroyed and as long as Germany has not become a genuinely democratic and peace-loving nation. It will be necessary to establish strict supervision over the fulfilment by Germany of all the obligations which will be imposed on her by the Allied States, by virtue of the Peace Treaty. The controlling body must be invested with broad powers to carry out such sanctions as this body will find appropriate, in case of violation of the provisions of the Peace Treaty by Germany.

CANADA.

“Provisions for the protection of such minorities as cannot be avoided should be made through the appropriate organ of the United Nations.”

CZECHOSLOVAKIA.

The Czechoslovak Government considers that an effective system of control should be established in which all the four occupying powers would share and which would embrace all political, economic, cultural and other spheres of German life, and which would relate to the whole of Germany.

DENMARK.

Provision should be made “to ensure in an effective manner to all inhabitants of Germany common civic and democratic rights of

liberty." Such rights would include the right to form political parties, the freedom to form associations and gatherings, freedom of faith, freedom of the press as well as personal freedom and the legal protection of the individual.

The above rights should be expressly guaranteed by the Peace Treaty to all the "non-German groups of population" within Germany and specified in so far as they have no relation to these groups. There should for instance be no restriction on the languages used in newspapers and books, or in churches, schools or political gatherings. It should be laid down that a non-German group of the population "is not to be placed in a position inferior to the remainder of the population either politically, economically or culturally," that there should be no restrictions upon the right to vote or to stand as a candidate for municipal, provincial and legislative councils, and that proportional representation on such councils must be guaranteed to the "non-German groups of population." The Danish Government explain that by "non-German groups of population" they mean "parts of the population not of German mentality regardless of whether they are German nationals." It is recommended that a special international body be set up to decide, with binding effect on the German authorities, questions submitted to them by members of the non-German population groups and that the right of these groups to submit complaints should be ensured.

GREECE.

No comments.

LUXEMBOURG.

The Luxembourg memorandum does not suggest any other political control beyond that to be applied in the Ruhr and the Rhineland.

NETHERLANDS.

So long as the occupation lasts, certain restrictions will have to be imposed on freedom of expression in Germany, with reference to Allied policy and interests.

NEW ZEALAND.

No comments.

NORWAY.

The maintenance of extensive controls for a long period will impair the active co-operation of the German people.

Restrictions must be clearly determined and limited to a definite period so that the German nation may look forward to regaining its position as a member of the family of nations.

The German authorities must guarantee to all persons under German jurisdiction the basic human rights. In particular, racial discrimi-

nation must be forbidden. This applies similarly to non-German groups living within the borders of Germany.

POLAND.

The Polish Government demands the establishment by the Allied Control Council of an effective control over Germany until such time as the Peace Treaty comes into force. With the gradual implementation of the above programme the German authorities "would be able to function within a defined sphere under the control of the Allied Control Council".

When the treaty comes into force military and civic control should be retained until a fully democratic and pacific reconstruction of Germany has been effected.

Poland's security is bound up with these controls, which should be organically related to all fields of German life which could become the sources of future aggression.

Throughout the whole of Germany's territory propaganda "directed towards the revision of frontiers, the union of Germany with Austria, the idea of superiority of the Germans over other nations" should be forbidden.

The Polish Government raises the question of a more energetic prosecution of war criminals and also of the extradition of traitors who, regardless of their nationality, ought to be extradited to their countries to be judged and punished if, by their collaboration with the Axis Powers, they acted to the detriment of their nation or other United Nations.

UKRAINE.

It is essential that citizens of the United Nations who have been active collaborators or traitors, or who are guilty of offences against the laws of their countries, should be handed over to their Governments so that judicial action may be taken against them.

UNION OF SOUTH AFRICA.

No comments.

YUGOSLAVIA.

No comments.

4.—ECONOMIC QUESTIONS

Economic Principles

AUSTRALIA.

The Australian Government draws attention to certain contradictions in some of the clauses of the Potsdam Agreement, which provide that a certain standard of living shall be maintained in Germany and at the same time provide for an economic disarmament which, if it

were carried out to the letter, would bring about a complete impoverishment of the country. The Level of Industry Plan, approved in March, 1946, represents an inadequate compromise in this respect between these two purposes and its effects will undoubtedly be unemployment, poverty and the loss of morale.

Australia urges, therefore, that the economic problems be considered, not piecemeal, but in relation to the problems of Europe as a whole and proposes that the economic purposes of Potsdam should be restated in a new agreement, making clear the need of a reasonable degree of prosperity in Germany and the part which Germany will play in the economic rehabilitation of Europe.

Australia is in favour of an upward revision of the Level of Industry Plan.

Australia advocates strict execution of the principle of German economic unity which should simplify Germany's trade relations with the Allies. In the opinion of the Australian Government detailed information concerning present trading arrangements in the Allied zones should be provided to the countries invited to give their views.

BELGIUM.

The Allies, faced by the conflicting demands of security on the one hand and German prosperity on the other, must seek a formula which will safeguard the former without endangering the latter. The Control Council's decision of 26th March, 1946, fixing the level of German economy, has made it very hard to extricate Germany from chaos and to re-establish her economic equilibrium.

The level of German industry established by the Control Council's decision of 26th March, 1946, could, within the limits imposed by security, be raised in most branches of industry by making allowances both for Germany's economic requirements and the interests of the other European nations. The Belgian Government are prepared to co-operate in establishing a scheme of quantitative restrictions on German capacity.

Germany must be forced to respect international agreements with regard to trade. These agreements prohibit currency and foreign exchange manipulations, dumping, and any policy of discrimination.

BRAZIL.

The Brazilian Government desires to proscribe internal customs barriers in a federated Germany.

BYELORUSSIAN S.S.R.

The military economic potential of Germany and concentration of economic power must be liquidated.

A democratic land reform will constitute a radical solution of the problem of supplying food, of providing work and of accommodation of the Germans repatriated from other European countries.

CANADA.

Canada has a threefold interest in Germany's economic future.

(i) The Germans should not be allowed to strengthen their economy to such a point that they could again wage aggressive war.

(ii) There should not be such economic depression and unrest in Germany as would affect the stability of Europe.

(iii) German industrial capacity should be used for the benefit of all countries, in particular of European countries which trade with Germany.

The early establishment of an Economic Commission for Europe would do much to attain these ends.

During the period of control of German industries in special areas, other countries should not be allowed to exploit those industries for purposes detrimental to the European and world economy.

German foreign trade should be conducted in a manner which will provide equal opportunity for all nations.

CZECHOSLOVAKIA.

Subject to agreement on political unity, Germany should form a single economic unit. The following principles should apply to the whole of Germany:—

Decartelisation: All cartels and combines should be dissolved. All agreements regarding cartels should be declared invalid. Steps should be taken to prevent the transfer of German shares to foreign concerns. Germany to be excluded from participation in foreign cartels, trusts and foreign companies;

Nationalisation of enterprises which were formerly owned by Nazis;

Land reform throughout the entire territory of Germany;

Uniform currency throughout Germany;

Foreign Trade, credit and investments to be subject to strict control;

The volume of exports and imports to be determined with regard to the gradual raising of the standard of living, so that Germany may be in a position to provide for her needs and for her reparation obligations by her own means. Fulfilment of reparations obligations to have priority.

DENMARK.

The Danish Government are as disinclined as their Allies to allow economic considerations to be the only decisive factor in determining the economic future of Germany. "The primary object must be to prevent the reconstruction by Germany of a productive apparatus which might serve as a basis for renewed aggression."

Subject to this, however, the Danish Government "consider it important that needless restrictions on German participation in the economic life of Europe be avoided and that an administrative machinery be created . . . to re-establish normal economic relations between Germany and her neighbours."

The Danish Government favour the use of normal trade channels to the widest possible extent, *i.e.*, foreign and German firms should be permitted to enter into normal business relations, subject to any necessary controls.

The restoration of Germany to her position in the European economy, subject to the limitations imposed by security considerations, can be achieved "only if Germany does not become disintegrated by tariff or other economic frontiers" such as the existing sharp division of the agricultural areas of Eastern Germany and the industrial districts of Western Germany. The productive capacity and the purchasing power of Germany will be indispensable factors in the economic and social reconstruction of Europe, while a disorganised Germany will constitute a serious menace not only to reconstruction but also to peace.

The monopolistic concerns which have characterized the economic life of Germany should be dissolved and their re-appearance prevented.

Germany should be admitted to the proposed system for promotion of international trade relations.

Measures must be taken to prevent the resumption of the discriminatory trade and monetary practices pursued by Germany in the period between the wars. Similarly equal rights of access for all states to German territory by all forms of communication must be ensured.

The Danish Government urge that the Allied authorities should ensure, in implementing industrial re-conversion in Germany, that no single country will be compelled to bear more than its fair share of the burden involved in the cut in exports from Germany of a given commodity.

GREECE.

The Greek Government favours economic deconcentration which would allow an "honourable place" for Germany in world trade while ensuring that it would be unable to dominate the European economy. The Greek Government believes it "would ultimately damage European long-term recovery if the German industrial organization were broken up through excessive decentralization".

LUXEMBOURG.

The Luxembourg Government considers that the powers of the Confederation should be restricted to the requirements of economic unity

as provided for at Potsdam, but that the States should be free to enter this economic unity or not as they wish.

The Luxembourg Government desires that allied concerns destroyed in Germany shall be the first to derive the benefit of any rules relating to reconstruction, in the event of a system of priority being set up by the authorities concerned.

NETHERLANDS.

(a) *General principles.*—It will be necessary to guard against renewed German economic aggression in the future. It is not less important, however, that Germany should contribute to the recovery of the European economy. If these two fundamental principles are to be reconciled, it is essential:—

- (1) that the German economy should be allowed to recover to a reasonable extent;
- (2) that the Potsdam principles providing for the decentralization of the industrial structure and the deconcentration of economic power should be implemented;
- (3) that certain areas should be subject to special control measures.

(b) *Economic unity.*—The Netherlands Government is in favour of the economic unity of Germany within the framework of a decentralized political and economic structure. Although all concentration of power should be avoided, co-ordination for the whole of Germany will be required as regards industrial production, agriculture, food supply and the price and wage policy, while for foreign trade traffic and currency as well as for taxation, central direction will be necessary. A central economic policy will be required with a view to elaborate plans for guiding the German economy.

(c) *Economic structure.*—The achievement of economic unity entails the deconcentration of economic power by means of a decentralization and decartelisation of industry.

The Netherlands Government considers that it would be dangerous to nationalize concerns under the German State, or States, which would result in the establishment of super-trusts.

On the other hand, they do not object to certain concerns being socialized. Furthermore, politically unreliable owners may be expropriated for the benefit of the German State, their rights of ownership being transferred to the Allies as a guarantee.

(d) *Standard of life.*—The standard of life of the German people must be equal to that of the other peoples of continental Europe.

The Level of Industry Plan of March, 1946, will have to be revised to enable Germany to meet its liabilities and responsibilities. Security should be sought rather by prohibiting certain manufactures—see “Disarmament”—and controlling certain imports, than by imposing maximum quotas on the production of German industries.

Germany must expand its agricultural production, but it would be dangerous to go too far in that direction. It is advisable on the contrary to envisage commercial interchanges with neighbouring countries within the framework of a sound economy. The Netherlands are particularly interested in maintaining their exports of agricultural products to Germany.

(e) *Financial aspects.*—Germany must return to a sound financial system and a healthy currency situation, taking into account the interests of the neighbouring states. The German Mark debts will have to be adjusted, and the treaty will have to provide for the control of the internal debt.

Debts to the Allies where expressed in other currency than marks will have to be guaranteed. Allied holdings must be fully respected and preference granted to such holdings and to shares held by Allied owners in German concerns.

Foreign loans should be restricted.

NEW ZEALAND.

The New Zealand Government supports the immediate alleviation of acute economic distress in Germany as a necessary prerequisite for any peace settlement.

NORWAY.

The principle of German economic unity should be maintained.

The solution of the question of the level of industry must balance the needs of security with the interests of the Allies in obtaining reparations and with other economic considerations.

From the point of view of security a paring down of German industry is desirable, but in the interests of world economy it must not be so reduced as to leave Germany an economic vacuum.

German trusts and cartels must be liquidated and German economy brought under public control.

Restrictions on German Merchant Navy.

Non-discrimination in German commercial policy.

POLAND.

The Polish Government considers that the economic plan for Germany accepted at Potsdam may be executed on the condition that Germany be given economic unity and that agrarian reforms be undertaken and trusts and monopolies liquidated. If, however, this plan should be subjected to changes in the direction of an increase in the fixed level of production in Germany, then in any case "the priority in the reconstruction of countries devastated by Germany" must be maintained. "In such a way it would be possible to avoid the re-creation in Europe of a condition of marked economic inequality between

different parts of the continent." At the present time the level of German economy, as fixed by the Allied Control Council is equitable in relation to "those difficult conditions in which the majority of countries which were occupied and devastated by Germany, still find themselves".

"The Ruhr Basin should not serve Germany's needs only, but all countries whose economy is linked with this powerful economic centre of the continent".

The reconstruction of the European economy does not imply the reconstruction of Germany and Germany alone.

Poland attaches importance to the normalization of Polish-German trade relations as soon as possible.

UNION OF SOUTH AFRICA.

The South African Government believes it will be a fatal policy to deprive Germany of the necessary means for its economic recovery, as well as the restoration of its food situation, and the heavy onus which all the occupying powers bear in this respect should cease, otherwise Germany will justly blame the growing disaster of Europe on the Allies. The revulsion of feeling, even in Allied countries, may ultimately become intense.

Coal deliveries, reparation deliveries and the dismantling of industrial plant should be reconsidered so that industrial recovery and reasonable measures of employment for the German people may be facilitated. The scale for German economic activity under the Potsdam Agreement should immediately be reviewed and improved.

Such conditions should be established in Germany as to make it possible to reduce Allied responsibility for the German economy to a minimum and to place the German economy largely under German control.

UKRAINE.

The Ukrainian Government considers that the level of industry agreed to in the plan of March, 1946, should be maintained.

YUGOSLAVIA.

"The common policy of the occupation authorities is to be based on the economic unity of Germany according to the Potsdam Decisions. The Yugoslav Government insists on the acceptance of a clear and definite policy as regards the level of German industry".

Reparations and Restitution

AUSTRALIA.

Australia considers that the exaction of reparations is just, but urges that they shall not go beyond reasonable limits. The Australian Gov-

ernment stresses, in particular, the objections to the transfer of industrial equipment because the difficulties in dismantling and transporting plants involve considerable delays and thereby lessen their value.

BELGIUM

The Belgian Government considers that the question of reparations has already been dealt with and settled in respect of the share of the various countries entitled to reparations and in respect of such property as may be allocated as reparations. (Potsdam Agreement of 2nd August, 1945, and Paris Agreement on Reparations of 14th January, 1946.)

Belgium does not consider the present position in regard to payment of reparations satisfactory. The Allies will not receive adequate compensation under the existing procedure whereby only capital installations are allocated for reparations. Germany's economic potential should not be lowered to such an extent that she is unable to furnish in the future raw materials and certain finished goods as reparations.

"If certain States were to annex German territories or obtain possession of certain German resources, it should be understood that the obligation be maintained to provide reparations, either from such territories, or from such resources and that Belgium should receive equitable compensation."

BRAZIL.

No comments.

BYELORUSSIA.

Byelorussia recalls the decisions of Potsdam and Yalta which stress the responsibility of Germany to make good the damage and losses inflicted on the United Nations.

CANADA.

Existing agreements regarding reparations should be reviewed in the light of the level of economy to be permitted to Germany, in order to prevent Germany continuing to constitute a centre of economic depression in Europe. Reparations deliveries agreed upon should then be implemented as quickly as possible, leaving the Germans free to improve their own living conditions through their own efforts.

CZECHOSLOVAKIA.

The Czechoslovak Government considers that the reconstruction of Germany should not precede the reconstruction of countries devastated by her, and that Germany should, by means of reparations contribute to the economic reconstruction of these countries. Deliveries of raw materials and goods from current production and services should be included in Germany's reparation obligations.

The quota of reparations for each country should be defined in terms of value.

DENMARK.

The Danish Government express the hope that they may receive reparations from current German production.

In addition, they consider it reasonable that Germany should pay compensation for the forced labour which prisoners from the occupied countries were made to perform in Germany.

GREECE.

"The amount of Germany's liability should be fixed at the highest possible level."

"Reparation should be made also in terms of current production."

Specialized technical personnel should be made available by the Germans as reparations.

"Reparations should be made in the shortest possible period of time" in order that they may be available as soon as possible to aid in reconstruction.

If some countries receive territorial or other concessions, this would be a reason for increasing the share in reparations of those countries which do not.

The occupying powers have "obtained various secret processes of German industry, war material, merchant vessels and merchandise." These should be charged to their reparations accounts.

"Germany should make necessary repairs and additions, at her own expense, to installations used as reparations."

All restitution items should be charged against the reparations account. Immediate restitution of "war material, railway material, and antiquities" should be made. Restitution of goods removed should be made even if payment was made by the Germans in occupation currency.

LUXEMBOURG.

Coal and steel produced in the Ruhr in excess of German requirements should be allotted in the first place, as reparations and exports, to the countries that have suffered from German aggression and to former customers of the Ruhr.

NETHERLANDS.

Reparations in the form of dismantling and removal of industrial installations will have to be applied with caution. In principle, they should be limited to factories exclusively engaged in the production of war materials, in so far as these are not listed for complete demolition. Removal of other factories should be restricted to exceptional cases, and then only in so far as the employment of German labour is

not materially reduced and no unemployment results that cannot be adjusted in some other way.

Germany must also pay reparations from current production, but only when its exports have reached a level ensuring a satisfactory standard of living.

NEW ZEALAND.

No comments.

NORWAY.

Germany's obligation to pay reparations should be expressly laid down in the Peace Treaty.

In spite of the Potsdam Agreement that the quantity of industrial equipment to be removed from the Western Zones should be determined within six months, that deliveries should be complete within a further two years, and that advance deliveries should begin immediately, the volume to be removed has not yet been determined. Norway supports the resolution of the Inter-Allied Reparations Agency created by the Paris Conference (8th October, 1946) drawing attention to this.

As regards current production, allocations of assets must be sufficiently varied.

As soon as German economy permits surplus products must be used for reparations.

In accordance with her reparations obligations Germany must renounce her claim to German assets outside German territory.

If the question arises of making Germany pay for war damage to Allied property in Germany the method of payment must not impair Germany's ability to meet her main reparation debts.

POLAND.

The Polish Government considers that payment of reparations out of Germany's economic capital and out of her current production is one of the most important means of removing, at least partly, those disproportions which have arisen in Europe as a result of Germany's economic policy after 1930.

Poland attributes the greatest importance to reparations out of capital equipment which can even out those inequalities more quickly, especially where Germany not only destroyed the national economy, but also, by means of force, changed the economic structure of an occupied country.

UKRAINE.

Deliveries of capital equipment and deliveries from current production so far received are negligible.

UNION OF SOUTH AFRICA.

No comments.

YUGOSLAVIA.

The Yugoslav Government considers as correct the decisions of the Potsdam Conference which link the disarmament of Germany with the question of reparations. The level of German industry should be lowered in accordance with the Allied Control Council's plan, and those industrial installations which are unnecessary to the economy of a peaceful Germany be either destroyed or given as reparations to the peoples who have suffered damage.

The extent of industry available for reparations should be determined and the handing over of complete German factories should begin forthwith. Units of the German Merchant Navy and river fleet should be made available for reparations.

"The urgent needs of claimants for reparations should be met in accordance with Resolution No. 2 of the Annex to the Paris Agreement on reparations from German current production and services . . . German property in the Western Zone of Occupation of Austria should be utilized for reparations."

Germany must return bullion and precious metals which she stole from Allied countries. "The Allied Control Council should help the interested states in the search for objects of cultural, historic, artistic and economic value removed by the Germans during the occupation, and hasten their restitution.

And enquiry should be made into the state of liquidation of German assets in neutral countries."

Economic Controls

AUSTRALIA.

No comments.

BELGIUM.

See under Special areas (IIA 2) and under Disarmament and Demilitarization (IIA 1).

Any policy for the control of Germany should reserve an important place for commercial policy. (See under Economic Principles IIA 4.)

BRAZIL.

No comments.

BYELORUSSIA.

The main responsibility for controlling the German economy rests with the four Powers. (See above Political Controls.)

CANADA.

See under A 2. Control of Special areas.

CZECHOSLOVAKIA.

The planned economic disarmament of Germany, which should be co-ordinated with the fulfilment by Germany of her reparation obligations, is guaranteed, as was stated above, by a system of control shared by all four Powers, which will apply to the whole of Germany.

DENMARK.

No comments.

GREECE.

No comments.

LUXEMBOURG.

See Item IIA 2 above in respect of the system of control provided for the allotment and utilization of coal and steel from the Ruhr.

NETHERLANDS.

A long term policy of control must be applied to the German economy, which should be initially under close Allied supervision. States neighbouring on Germany must be represented on the bodies established to apply such controls.

German trade policy must be fitted into the framework of European economic policy. The principle of non-discrimination should apply to imports, exports, customs, tariffs and quotas.

NEW ZEALAND.

No comments.

NORWAY.

The inter-dependence of the various branches of industry is such that, rather than eliminate whole branches, certain key industries whose products are essential to war industry should be eliminated, thus making Germany dependent on foreign supplies of such products.

“Even a considerable reduction of Germany’s industrial capacity will not produce the necessary security unless Allied control of industry is effective”.

Experience has shown that discriminatory trade practices, etc., can constitute a powerful weapon of aggressive policy. Effective control of Germany’s economic agreements should be established and entrusted to international organs.

POLAND.

After the entry into force of the Peace Treaty, Germany should remain under the economic control of the four Allied Powers. In this control Poland must, both before and after the entry into force of the Treaty, have the means of presenting her point of view on the German question and upon other questions which concern her directly.

UKRAINE.

In the interests of security, Germany must be deprived of her military and economic potential by liquidating her war industry, and by the establishment, for a prolonged period, of joint Allied Control over that part of heavy industry which will be left to Germany for the satisfaction of her vital needs.

UNION OF SOUTH AFRICA.

No comments.

YUGOSLAVIA.

No comments.

5.—MISCELLANEOUS

DENMARK.

Kiel Canal

The Danish Government are interested in this waterway being kept open in all circumstances to the ships of all nations. They propose that the administration and use of the canal should be superintended and controlled by an international body.

NORWAY.

(a) Germany must be obliged to give such assistance as may be required in dealing with war criminals: this to include extradition of Allied nationals as demanded.

(b) Germany must renounce all privileges enjoyed outside Germany under treaties or agreements. Multi-lateral conventions which the Allies wish to remain in force should be mentioned in the Treaty. As regards bi-lateral treaties, the Allied country concerned should decide whether these are to remain in force or not.

YUGOSLAVIA.

The Government of Yugoslavia draws your attention to the fact that the Lusatian Serbs inhabiting the territories between the Elbe and the Oder should be granted basic national rights.

The problem of German minorities in Eastern and South-Eastern Europe should be taken in hand.

B.—INDIVIDUAL TERRITORIAL, ECONOMIC AND OTHER CLAIMS BY THE ALLIED STATES

1.—TERRITORIAL AND POLITICAL CLAIMS

AUSTRALIA.

No comments.

BELGIUM.

The whole of territories claimed by Belgium cover a total area of about 12 square miles and contain an estimated population of 3,850 inhabitants.

Belgium reserves the right to make further claims "in the event of other Allied States obtaining territorial advantages at the expense of Germany or correlative economic advantages".

BRAZIL.

No comments.

BYELORUSSIAN S.S.R.

No comments.

CANADA.

No comments.

CZECHOSLOVAKIA.

Czechoslovakia demands that the Munich Agreement, as well as all acts connected with that Agreement or issuing therefrom, shall be declared as null and void in the Peace Treaty for Germany.

The Czechoslovak Government demands that the Czechoslovak/German frontiers which existed on 1st September, 1938, together with such changes as shall be recognised in favour of Czechoslovakia on the basis of territorial claims, should be confirmed.

The Czechoslovak Government demands rectification of its German frontiers. Rectifications comprise territory of an area of 819.75 square kilometres with a population of 25,052.

The Czechoslovak Government demands that former Czechoslovak subjects of German race and language, transferred from Czechoslovakia, should remain in Germany enjoying full equality of rights with German citizens; that no discrimination, political or economic, should be made in favour of or against these persons; Germany should prohibit the organization of special unions and political parties, consisting exclusively of former Czechoslovak citizens, and the formation of any possible irredentist movement directed against Czechoslovakia.

In the event of countries other than the four occupying Powers being invited to participate in the control of Germany, the Czechoslovak Government demands such a right for itself. In any case Czechoslovakia demands a share in the control on all questions in which she has a direct interest.

DENMARK.

No territorial claim is made. The Danish Government "do not intend to propose any alteration in the status of national allegiance of South Schleswig".

(a) *Danish interests in South Schleswig.*

"For Denmark it is especially important that necessary regard be given to such Danish national interests as are attached to the future settlement of conditions in South Schleswig." After describing briefly the history of the South Schleswig question, the Danish Government state that since the German collapse in 1945 there has been "growing ferment and national unrest" in South Schleswig. The desire to get away from German rule has found considerable support. The position, however, is not yet clarified and it cannot yet be said whether the apparent change of mind undergone by many inhabitants of South Schleswig is of a permanent nature. Whether the population of South Schleswig wish to exercise their right to self-determination must be for themselves to decide. Meanwhile the "national competition of Danish and German in South Schleswig" should be allowed to develop freely.

(b) *Administrative Separation of Schleswig from Holstein.*

The Danish Government maintain that whereas within the province of South Schleswig the Danish element has a chance of "maintaining itself politically in relation to the remaining population," in a unified Schleswig-Holstein it would have to face a compact German majority. Holstein was "the breeding-ground of the anti-Danish movement" in Germany, and the Danish Government therefore emphasize "the desirability of no common German bodies for South Schleswig and Holstein being created or maintained and of no German authority in Holstein having influence upon the administration of South Schleswig".

(c) *Removal of refugees from South Schleswig.*

The Danish Government represent that the German refugees who entered South Schleswig shortly before and after the German collapse, by increasing "the German-minded part of the population," constitute a pressure on Denmark's frontier which is a danger to her future security. In the view of the Danish Government therefore "the residence of the great refugee masses can only be regarded as temporary." They urge that arrangements be made "to safeguard the rightful interests of the indigenous population and especially that in elections to municipal and provincial councils and bodies, they be given decisive influence upon the affairs of their native soil".

(d) *Removal from Denmark of German civilian refugees.*

The Danish Government stress the importance of the early removal from Denmark of the German civilian refugees still remaining there. Some 200,000 of these have taken refuge in Denmark; they represent about 5 per cent. of Denmark's population and constitute a very heavy

financial burden for the Danish Government, who consequently wish their evacuation to proceed at an increased rate and to be completed as soon as possible, without regard to other aspects of the peace settlement.

GREECE.

No comments.

LUXEMBOURG.

(a) Luxembourg territorial claims affect a total area of 521 square km. and a population of 20,000 to 30,000 inhabitants. They extend along the whole of the 90 km. of the German-Luxembourg frontier, to a depth of 1 to 5 km. along the Moselle and the Sure, and to a depth of 5 to 10 km. along the Our. The territory claimed does not include any village of more than 1,500 inhabitants.

(b) The desiderata of the Luxembourg Government have been framed with the following objects:

To obtain possession of the three rivers Our, Sure and Moselle, forming the frontier between Luxembourg and Germany, and of bordering German territories, and thus prevent Germany from establishing strategic constructions which right up to this last war constituted a permanent threat and have given rise to numerous incidents.

To acquire and operate the railway line on the German bank of the Moselle with full possession of the German villages along this line, to have constructed at German expense a dam and hydro-electric power plant on the Our.

(c) From an historical point of view, the Government of the Grand Duchy points out that these territories represent about one-fifth only of the Luxembourg territories taken from Luxembourg by the 1815 treaties to be given to Prussia. The population speaks the Luxembourg language and the large majority would be desirous of being attached to the Grand Duchy.

(d) The Luxembourg Government would be willing to accept the principle of a referendum.

NETHERLANDS.

(a) The Netherlands territorial claims represent a total area of 1,750 square km. and a population of 119,000 inhabitants (statistical data of 1939). The rectifications indicated would reduce the frontier line between the Netherlands and Germany from 525 km. to 340 km. These rectifications concern the following districts:

1. The Ems estuary.
2. The Bourtange peat moors.
3. The territory of the county of Bentheim.
4. The pockets of Vreden and Anhalt.
5. The southern part of the frontier, along the German Rhine Provinces (the Cleves and Emmerich, the Roermond and Sittard, and the Hertogenrade and Aachen districts).

(b) Considerations which guided the Netherlands Government in laying down their views on the frontier rectifications:

1. Shortening of the frontier line.
2. Improvement of local communications.
3. Local improvement of canal and waterworks.
4. Improvements from the social and economic point of view.
5. Redress of local anomalies.

(c) In addition, in its supplementary memorandum of the 26th January, the Netherlands Government submitted historical justification for its principal claims.

NEW ZEALAND.

No comments.

NORWAY.

Norway supports Danish demand for the return to Germany of non-military refugees.

POLAND.

Poland expects from the Peace Conference "a final definition of the Western frontier laid down at Potsdam" and an equitable demarcation of frontiers, and reserves for herself the right to present a detailed project concerning delimitation of the German frontier on a line from the Baltic Sea immediately West to Swinemunde and thence along the River Oder to the confluence of the Western Neisse River and along the Western Neisse to the Czechoslovak frontier.

In the territories to the East of the above line there were on 1st November, 1946, 4,375,000 Poles who constituted 85 per cent. of the population. There were 698,000 Germans.

Both before and after the entry into force of the Peace Treaty, Poland should be allowed to present her point of view on the Polish/German and other questions which directly concern her, to the organs of political control.

UKRAINE.

It is necessary to forbid the existence on German territory of any organizations composed of persons of Ukrainian origin whose activities are directed against the freedom, territorial integrity and sovereignty of the Ukraine.

UNION OF SOUTH AFRICA.

No comments.

YUGOSLAVIA.

The Yugoslav Government desires that the German minorities called "Volksdeutsche" (100,000 persons) should be transferred from Yugoslavia to Germany in accordance with the Potsdam Decisions on German minorities.

2.—REPARATIONS AND RESTITUTION

AUSTRALIA.

No comments.

BELGIUM.

The Belgian Government desires to be given satisfactory assurances of delivery. It proposes various methods to that end: "either a transfer of ownership of plants and workings, or a concession on such plants and workings, or an undertaking by the Authorities concerned, or any other similar method.

"Should the compensation received by Belgium from Germany not prove sufficient in regard to advantages received by other States, Belgium reserves the right to claim corresponding advantages, either from the States receiving advantages from Germany, or from those conceding them."

As compensation for works of art destroyed, Belgium claims certain works of art to be taken from the German state.

"Belgium also claims certain historical documents which are of special interest to the country."

BRAZIL.

The Brazilian Government declares that the indemnification offered her as reparations from Germany in the form of the product of the sales or the incorporation of German assets situated on territory under her jurisdiction covered only a small percentage of the losses suffered by the Brazilians. The Brazilian Government declares that the states which were admitted to participate in the Paris Conference on war reparations have considered that not only the loss of profit of properties lost or damaged by enemy action, but also other elements which in consequence of enemy aggression determined a reduction in Brazil's economic potential are susceptible of reparations. The Brazilian Government declares that this broad conception of reparations having been accepted, Brazil cannot obtain satisfaction except to an extremely limited extent by making use only of the German assets liable to liquidation according to her internal law. Brazil therefore pleads to the Council for the right to participate in adequate proportion and without prejudice to the liquidation of German assets located on territory under her jurisdiction, in the sharing of the assets situated in Germany and liable to transfer as reparations.

BYELORUSSIA.

The Government of the Byelorussian Soviet Socialist Republic demands that Germany should pay reparations in kind to the Byelorussian Republic to the extent of 1,500 million American dollars; this amount would represent only 10 per cent. of the damage inflicted in

the Byelorussian Soviet Socialist Republic by Germany as a consequence of the war and occupation, which has been assessed by an investigation Commission at 15,000 million American dollars, exclusive of indirect damage (for instance the 350,000 citizens of Byelorussia deported to Germany for slave labour).

CANADA.

No comments.

CZECHOSLOVAKIA.

Germany to grant Czechoslovakia, as part of her reparations, the use of the German railways for transit to and from the sea, in accordance with tariff conditions existing in 1937, and based on the Agreement of 1929. Czechoslovakia claims the right to use the telecommunication links leading through Germany also as part of her reparations, and on customary tariff terms.

The Czechoslovak Government demands that the principles of restitution be applied to property acquired by Germany as a direct or indirect result of the Munich Agreement.

DENMARK.

Reparations.

The Danish Government express the hope that it may be possible to obtain from current German production compensation for the losses suffered by the Danish economy during the war. If special privileges in the form of concessions, etc., are granted to individual countries, the Danish Government reserve the right to set forth their wishes in that respect. The Danish Government consider that an obligation should be imposed on Germany to provide compensation for damage sustained by Danish property in Germany during the war.

Restitution.

See under "Other Economic Claims."

GREECE.

The Greek Government claims that Greece has suffered treatment which has no parallel in any other occupied country. The total loss and damage is estimated at \$16,000,000,000, of which \$8,500,000,000 represents positive loss and damage. It is therefore entitled to special treatment as respects both the scale of reparations and the speed with which payment is made. The Greek Government does not consider its present share of reparations from Germany to be fair and requests that it be given an equal share with Yugoslavia.

(a) Reparations should be made in current production, including coal at the rate of 500,000 tons annually.

(b) The Greek Government desires that Germany be "obliged to send specialized technical personnel for specific tasks to Greece."

(c) The Greek Government wishes to share in German property in Italy and Austria.

(d) The Greek Government points out that it has so far received from Germany only merchant ships of a gross registered tonnage of 42,354 tons, valued at £506,400, and isolated items of industrial equipment to a total value of 4,466,300 mks.

(e) The Greek Government has so far received nothing in the way of restitution. It wishes immediate restitution of war material, railway material and antiquities. It desires that Germany provide equivalent art treasures for items destroyed by the Germans in Greece or lost during or after looting by the Germans, through the carrying out of an obligation similar to that contemplated for Italy in the treaty of peace with Italy.

LUXEMBOURG.

The Government of the Grand Duchy points out that as a result of German aggression, Luxembourg has suffered damage assessed at more than 600 million dollars, affecting a population of 800,000 inhabitants.

It therefore demands as reparations :

(a) The supply by Germany of 3,500,000 tons of fuel per annum, to include three million tons of coke and 500,000 tons of coal and lignite, for a period of 40 years.

(b) The supply of 175,000,000 Kw. per annum of electric power.

(c) Certain supplies to ensure the operation of the mines and the working of the metallurgical industry, and a quantity of fertilizers.

There is justification for such supplies being furnished free of charge. But the Luxembourg Government would consider, as a subsidiary measure, that they be made against payment, and particularly against certain commodities to be supplied by Luxembourg (see below, 3 (c)).

(d) Certain works of art and archives of special historical value to the Grand Duchy.

(e) The transfer of a section of the German railway line along the Moselle.

The construction of a dam on the Our.

Transfer of ownership and work in connection with frontier rectifications (see below, 3 (c) and (d)).

NETHERLANDS.

No special desiderata are put forward in this respect by the Netherlands Government, although its economic desiderata (see 3 below) are in great part presented to compensate war damages.

NEW ZEALAND.

No comments.

NORWAY.

Norway's claim for reparations is approximately 3 billion dollars.

Norway requests that capital equipment be made available without delay.

POLAND.

The speedy receipt of just reparations from capital equipment and from the current production of Germany, above all, from the first of these sources, in so far as industrial equipment has special value in the eyes of Poland, which has been destroyed by Germany, and is Germany's neighbour. Reparations of this kind give Poland the opportunity to restore her economic life more speedily and to prevent the intensification of an economic disproportion between Germany and Poland which would be to Poland's disadvantage.

Damage and losses in the realm of culture and science should be replaced by German equipment of equal value, and all property which was compulsorily removed from Poland into Germany during the war should be restored.

UNION OF SOUTH AFRICA.

No comments.

UKRAINE.

Damage caused to property by the German-Fascist plunderers to the citizens and national economy of the Ukraine total 285 milliard roubles according to state prices of 1941. Therefore, in accordance with the decisions of the Crimean and Berlin Conferences regarding reparations from Germany, Germany should make compensation to the greatest possible extent for the damage sustained by the Ukraine. This repayment should be made in kind by means of the removal of industrial equipment from German industry, including its removal from the Western Zones of Occupied Germany.

YUGOSLAVIA.

The Yugoslav Government insists that fully equipped factories should be transferred to Yugoslavia from the Western Zones as reparations. (Statement by Ivekovic.)

The Yugoslav Government insists that its claims for reparations from the Western Zone of occupation, as stated in Resolution No. 2 of the Annex to the Paris Treaty, should be fully and rapidly satisfied.

For restitution see Part IIA Section 4 "Reparations and Restitutions".

3.—OTHER ECONOMIC CLAIMS (COMMERCIAL, INDUSTRIAL, TRANSPORT, CONCESSIONS AND OTHERS)

AUSTRALIA.

No comments.

BELGIUM.

Among other economic claims contained in its memorandum, Belgium claims from Germany as reparations, or if this is impos-

sible, for the time being, subject to payment on terms to be freely agreed with the occupying powers:

(a) 6.6 million tons of coal per annum for a period of 40 years. Rights of ownership to the Haus Adena, Haus-Aden-Fortsetzung and Monopol Grimberg.

(b) The placing at her disposal of 150,000 kw. electric power, corresponding to a supply of 750,000,000 kw. h. per annum. Certain specified power stations to be handed over to Belgian ownership.

(c) Deliveries of 1,000,000 tons lignite, 300,000 of industrial salt and 80,000 tons of cooking salt, 100,000 tons of potash, 27,000 tons of barium sulphate and 500,000 cubic metres of timber per annum.

Belgium also claims: the re-establishment of conditions of freedom and equality on the Rhine; diversion of traffic towards German ports to be forbidden; restriction of German shipping on the Rhine; the restoration of the Belgian Rhine fleet and the immediate delivery of 187,000 tons of German barges and tugs; concessions of dredging for sand and gravel from the Rhine; the construction of Rhine-Danube canal; the construction of Rhine-Antwerp-Scheldt canal.

Failing the return of the Belgian rolling stock still in Germany, Belgium claims an equivalent amount of German equipment.

Belgium also claims the supply of 500 motor buses and 500 motor coaches; the construction of a tunnel to bring the water supply from the Lake of Heimbach and abutting on the Vesdre, etc.

BRAZIL.

No comments.

BYELORUSSIAN S.S.R.

No comments.

CANADA.

No comments.

CZECHOSLOVAKIA.

The Peace Treaty with Germany should:

(a) Contain a definition of German property which will exclude the property of former Czechoslovak nationals of German race.

(b) Include a provision for the right of free zones in the ports of Hamburg and Bremen on terms not less favourable than those contained in the Czechoslovak/German Agreement of 1929 concerning the free zone at Hamburg.

(c) Contain a clause ensuring the free passage of Czechoslovak craft on the Elbe, Rhine and on the German sector of the Danube. Czechoslovakia should be afforded free zones on the above-mentioned rivers at certain inland ports to be specified later. Germany should be bound to maintain the navigability of the River Labe (Elbe).

(d) Confirm transit agreements with German Reichsbahn of 1929.

DENMARK.

The Danish Government show in detail the extent to which the Danish economy was related to, and dependent upon the German economy, particularly as regards the supply by Germany of certain raw materials and specialized products and the market afforded by Germany for certain Danish products not easily marketable elsewhere. Denmark, while prepared to accept her share of the burden resulting from the limitations to be imposed on the German economy for security purposes, nevertheless hopes that Danish interests will be taken into account and that where possible the manufacture in Germany of those products for which Denmark is dependent on Germany may be allowed to continue. Spare parts for machinery of German origin are a case in point.

Germany should be made to surrender to Denmark such archives, museum pieces and historical monuments of North Schleswig origin as are in German possession, as well as any other archives relating to the German administration in North Schleswig between 1864 and 1920, and to the German occupation of Denmark from 1940-45.

GREECE.

(a) The Greek Government wishes special provision in the treaty with a view to the preferential importation into Germany from Greece for twenty years of one-third of the German annual tobacco consumption. Similar treatment is also requested for Greek exports of currants, sultanas and figs.

(b) In general, the Greek Government wants "most favoured nation" treatment from Germany and "a share in her [German] import trade" equal to that which Greece had in the years 1935 through 1939.

(c) Property.—The Greek Government requests that no restrictive measures be placed upon Greek property in Germany and that all such property be fully repaired.

(d) Debts.—The Greek Government wishes it recognized that debts of Germans resulting "from contracts concluded during the war should continue to be binding." In addition, goods contracted for in Germany should be delivered.

(e) War Material.—The Greek Government wishes the return of either of its own or equivalent amounts of naval vessels, air force material, army material and 30,000 head of livestock—preferably horses.

(f) Advances made to German occupation authorities. The Greek Government wishes these to be repaid.

Private property administered by Germans during occupation. The Greek Government wishes profits to be repaid.

Insurance contributions in favour of Greek nationals. The Greek

Government requests that the Germans be forced to pay into insurance funds contributions for workers employed by the Germans during the war.

(g) In addition, the Greeks wish correction of German war-time decisions regarding war booty; that Germany should pay eight million pounds sterling for clearance of mines and that Germany should pay for repatriating Greeks.

(h) In order to settle future differences concerning implementation of economic clauses in the treaty, the Greek Government suggests the establishment of a "special court of arbitration" for the use of Germans and Allied Nations.

LUXEMBOURG.

(a) *Eschweiler coal mines.*

The Government of the Grand Duchy demands that the working and production of the mines of the Eschweiler-Bergwerks-Verein, north of Aachen, 95.6 per cent. of the capital of which is held by the Luxembourg company Arbed, shall be placed at the disposal of the Grand Duchy, as Luxembourg property, with the right to act in all respects as though the products originated from mines situated in Luxembourg property. The output of these mines is estimated at 5 millions tons of coal and 1,200,000 tons of coke.

The working of the Eschweiler coal mines for the benefit of Luxembourg in the conditions set out above is distinct from the demand for the supply of coal to Luxembourg economy, which Germany should have to provide as reparations, and which amounts to a total of 3,500,000 tons.

(b) *The Nordstern concession.*

The Luxembourg Government claims the concession and temporary working of the Nordstern mining concession (5 km²) which constitutes an enclave in the Eschweiler concessions.

(c) *The railway line on the German bank of the Moselle.*

The Luxembourg Government demands the cession of a 25 km. section, running along the frontier, of the railway line joining the Lorraine mining district to the Ruhr district, following the German bank of the Moselle.

(d) *The Our dam.*

The construction of a dam and a hydro-electric power plant, in accordance with a scheme worked out by a consortium of German companies in 1926. Whilst supplying the Grand Duchy with electricity, this dam would also serve as a regulating plant for the big networks in Belgium, France and the Rhineland.

Germany should bear the cost of construction which is estimated at one thousand five hundred to two thousand million francs.

(e) *Germany to be compelled to exchange certain commodities with Luxembourg.*

The Luxembourg Government demands that Germany be compelled to exchange coal and particularly coking coal, for certain commodities listed in its memorandum, particularly metal ore and metallurgical products. Such exchanges would promote German finishing industry and enable the Allies to keep a check on it and would thus constitute an additional guarantee of security.

The Luxembourg Government bases its claims on a similar clause in the Treaty of Versailles (Art. 268) and on the fact that before the war there was free exchange of these commodities for coal from the Ruhr.

These purchases would be independent of any that might be the subject of trade agreements between Luxembourg and Germany and could not be subject to revision.

(f) *Miscellaneous desiderata.*

The property, interests and rights of Luxembourg natural and juridical persons to be guaranteed against all discriminatory measures or measures of confiscation; in particular, the free transfer of any profit deriving from Luxembourg participation in business or industrial concerns in Germany:

Foreign concerns have priority in measures of reconstruction in Germany.

Luxembourg property, interests and rights in Germany, not to be affected by decartelization, socialization, nationalization measures; at all events, not without adequate compensation.

NETHERLANDS.

The Netherlands Government makes a distinction between desiderata of a general economic character and demands of a more specific nature.

(a) *Desiderata of a general economic character:*

Measures to prevent unfair discrimination by Germany against Netherlands ports.

Germany to be prohibited from constructing new canals tending to divert Rhine traffic into other than its natural channels.

German monetary policy to be conducted in a manner that will leave the vital interests of the Netherlands unaffected (no discriminating currency regulation).

Free access of the Netherlands to their natural hinterland.

The Netherlands therefore demand the free use of the Rhine (not only in a technical sense, but also as regards tariffs and measures of

monetary and commercial policy); as well as a due place in international traffics for their railways and road traffic; transit-traffic through Germany in both directions shall be open to them without discrimination.

(b) In their specific demands, the Netherlands are desirous to obtain for a period of 40 to 50 years a number of German mining concessions mainly on the left bank of the Rhine (coal and potassium).

Furthermore, the Netherlands Government demands that the mines conceded shall be worked within the Netherlands economic system and should, for example, part of this production be made available for any part of Germany, this will have to be regarded as export from the Netherlands.

(c) Among the economic demands of a specific character those concerning endiking and drainage work, which are to a certain extent bound up with demands for frontier rectifications, come in for special attention.

The most important is concerned with the work of improvement of the mouth of the Ems, the cost of which should be borne by Germany.

In certain cases the Netherlands Government demands that the Germans shall be compelled to ensure the maintenance of the rivers.

In other cases it is recommended that German and Netherlands experts shall investigate on the spot to ascertain the extent to which each country shall meet the cost of work carried out in the common interests.

NEW ZEALAND.

No comments.

NORWAY.

Germany must be prohibited from equipping or participating in any whaling expeditions.

Restrictions must be placed on German trawling off the coast of Norway.

Germany must submit to regulations regarding the conservation of the stock of fish off the Northern Norwegian coast and in the Arctic Sea.

POLAND.

With respect to Germany, Poland is interested in the regularization of questions of transport, of ownership of communications and cables, leading out of Polish territory; in the question of the claims of Polish citizens in connection with forced labour done by them in Germany, of German patents, etc., and also all copyrights and of free access to German archives, etc.

UNION OF SOUTH AFRICA.

No comments.

UKRAINE.

No comments.

YUGOSLAVIA.

No comments.

C.F.M. Files : Lot M-88 : Box 2161 : CFM(D) (47) (G) Documents

*Report by the Deputies for Germany to the Council of
Foreign Ministers* ⁷³

SECRET

LONDON, 26th February, 1947.

CFM(D) (47) (G) 69 (Revised)

PROCEDURE FOR THE PREPARATION OF THE DRAFT TREATY

REPORT BY THE DEPUTIES TO THE COUNCIL OF FOREIGN MINISTERS IN
COMPLIANCE WITH SECTION IV(B) OF THE COUNCIL'S INSTRUCTION OF
12TH DECEMBER, 1946 ⁷⁴

In accordance with the instructions of the Council of Foreign Ministers of the Union of Soviet Socialist Republics, the United States of America, the United Kingdom of Great Britain and Northern Ireland and France, dated 12th December, 1946, to consider questions of procedure with regard to the preparation of a Peace Treaty for Germany, the Deputies for Germany, at their meetings held in London from 14th January to 25th February, 1947, discussed the proposals of individual Delegations.

The following proposals were submitted by the several Delegations during the course of the discussion.

1. Proposal by the Soviet Delegation on the procedure for the preparation of the Peace Treaty with Germany of 25th January, 1947, (C.F.M.(D) (47) (G) 22).⁷⁵ Annex I.

2. Proposal by the French Delegation "Draft Procedure" of 31st [30th] January, 1947, (C.F.M.(D) (47) (G) 38).⁷⁶ Annex II.

⁷³ At their 30th and final meeting in London, the Deputies for Germany considered the report by the Drafting Committee and, after an exchange of views, agreed to accept it in the amended form printed here. For an account on the origin of this document, see telegram 1305, Delsec 1282, February 26, from London, *infra*.

The documents included as annexes to the source text have been, with one exception, included elsewhere in this chapter in their appropriate chronological order and are not reproduced here.

There are no signatures on the source text.

⁷⁴ The instructions of the Council referred to here were included in document CFM (46) (NY) 74, December 12, 1946, *Foreign Relations*, 1946, vol. II, p. 1557.

⁷⁵ See CFM(D) (47) (G) 22 (Revised), January 28, 1947, p. 15.

⁷⁶ *Ante*, p. 17.

3. Proposal by the U.S. Delegation "Procedure" of 10th February, 1947, (C.F.M.(D) (47) (G) 53).⁷⁷ Annex III.

4. Proposal by the U.K. Delegation "Procedure for the preparation of the Peace Treaty with Germany" of 12th February, 1947, (C.F.M.(D) (47) (G) 55).⁷⁸ Annex IV.

5. Proposal by the Soviet Delegation, Part II, "Consultation of the Council of Foreign Ministers with the Allied Governments and the informing of the latter on the questions of the preparation of the Peace Treaty with Germany" of 12th February, 1947, (C.F.M.(D) (47) (G) 56).⁷⁹ Annex V.

6. Proposal by the French Delegation of 21st February, 1947, (C.F.M.(D) (47) (G) 68).⁸⁰ Annex VI (1).

At their meeting on February 22nd, 1947, the Deputies adopted, and submit to the Ministers herewith, a report by the Committee of Experts, agreed to the extent outlined in C.F.M.(D) (47) (G) 65 Revised.⁸¹ Annex VII (2).

The Deputies failed to work out the procedure for consultation of the Allied Governments and to agree to the second part of the document.

In these circumstances, the Deputies for Germany submit to the Ministers for consideration the proposals of the Delegations for the second part of the procedure.

During the hearing of the views of the Allied Governments in compliance with Section IV (a) of the Ministers' Instructions, certain Allied Governments made proposals regarding procedure, the full texts of which are set out in the memoranda annexed to the "Report of the Deputies for Germany to the Council of Foreign Ministers" of 25th February, 1947, (C.F.M.(D) (47) (G) 70).⁸² A list of the documents in which such recommendations appear, together with references to the relevant passages, is attached as Annex VIII.⁸³

(signed) (signed) (signed) (signed)

(1) *Note by the French Delegation*: The French Delegation expressed its views on procedure in the draft tabled on January 31st (Annex II). In a second draft of February 21st (Annex VI), it endeavoured to define a basis for an agreement, taking into account the views of the other Delegations. No agreement having been reached, the French

⁷⁷ *Ante*, p. 24.

⁷⁸ *Ante*, p. 28.

⁷⁹ *Ante*, p. 30.

⁸⁰ *Ante*, p. 32.

⁸¹ *Ante*, p. 34.

⁸² The Report under reference here excluding annexed memoranda is printed *supra* (p. 40).

⁸³ Not printed.

Delegation annexes to the present report these two documents, while indicating that the first draft alone is the expression of its views on the whole question.

(2) *Note by the U.K. and U.S. Delegations*: The U.K. and U.S. Delegations, in accepting the report by the Committee of Experts referred to, made the reservation that their acceptance was subject to an agreement being reached on both parts of the document.

740.00119 Council/2-2647: Telegram

The United States Deputy for Germany at the Council of Foreign Ministers (Murphy) to the Secretary of State

SECRET

LONDON, FEBRUARY 26, 1947—9 p.m.

1305. Delsec 1282 from Murphy. Drafting Committee set up by deputies for Germany on February 22⁸⁴ to prepare one consolidated document making clear different positions of delegations on question of procedure was unable accomplish this task due to withdrawal of Soviet representatives during meeting Feb 23.

When it became apparent during consideration of composition of permanent committees that British, French and US delegations were maintaining original positions re inclusion of Allied representatives, Soviet member of Drafting Committee announced that he could not continue work further, until receiving fresh instructions from his deputy. Soviet member failed to appear at next scheduled meeting.

At lengthy meeting of deputies Feb 24,⁸⁵ Soviet deputy refused to refer procedural question back to Drafting Committee, despite agreement of other three deputies that report to CFM, on procedure would best be fulfilled by type of document under preparation. In view of Soviet veto, it was finally agreed to transmit as report to CFM separate proposals on procedure with brief covering note,⁸⁶ stating (one) adoption by deputies of Part I on procedure subject to US and UK reservations and (two) failure of deputies to agree on procedure for consultation with Allied states. Initial paragraphs of part I in approval of which USDel joined are substantially as reported in Delsec 1238.⁸⁷ Further paragraphs agreed with some brackets by UK, French, USSR delegations differ little from Soviet text (Delsec

⁸⁴ The Drafting Committee designated by the Deputies for Germany at their 28th Meeting, February 22, 1947, consisted of: U.S.—Trivers, U.K.—Young, U.S.S.R.—Saksin and Filippov, France—de Courcel.

⁸⁵ This was the 29th Meeting of the Deputies for Germany.

⁸⁶ The reference here is to the Report by the Deputies to Council of Foreign Ministers, CFM(D) (47) (G) 69 (Revised), *supra*.

⁸⁷ The telegram under reference here, which is not printed, reported on the text of the Report of the Committee of Experts, CFM(D) (47) (G) 65 (Revised), February 21, 1947, p. 34.

1226⁸⁸). Re these paragraphs, USDel inserted in adopted paper explicit reservation of US position on grounds that it is premature at present time to attempt to decide on procedure for this period. US and UK delegations also included in covering note general reservation on Part I to [effect?] that their acceptance was subject to an agreement being reached on both parts of document on procedure. This reservation was required in particular, because Soviet deputy repeatedly sought interpret paragraph one, which states CFM will prepare peace treaty, as excluding genuine Allied participation in preparatory work.

Unwillingness of Soviet deputy to complete collation of views on consultation with Allied govts apparently derives from fact that report in this form would have demonstrated most complete agreement of France, UK and US, over against Soviet, on method of consultation and near agreement on the committees to study problems of the settlement. Despite such agreement, however, British and French deputies indicated finally no readiness to prepare agreed tripartite report, the French withdrawing their compromise proposal which accepted our list of committees and came close to British and our ideas by providing for Allied membership in the subcommittees.

In the past six weeks the Soviet deputy made only one compromise towards the idea of Allied consultation and participation. That was in suggesting a denatured version of the French idea of a Committee on Information and Consultation, but denying membership therein to Allied representatives.

Aside from that slight concession Soviet deputy was resolute in opposing any true Allied consultation or participation in the peace-making and equally determined there should be no agreement on detailed organization and procedure for the post-Moscow stage. The hearings showed a majority of the invited states as opposed to Soviet aims and conception of peace. The American committee set-up providing a broad coordinated approach to the questions of the settlement would have hampered the Soviets in piecemeal bargaining for priority for their claims which would be viewed in their relation to the whole problem.

At Feb 25 meeting deputies for Germany signed report on Allied views as well as one on procedure. Report on Allied views is being printed in 250-page book.⁸⁹

Sent Dept as 1305; repeated Berlin 164; Moscow 62; Paris 150.

[MURPHY]

⁸⁸ The telegram under reference is not printed. It transmitted the text of the Soviet proposal circulated as CFM (D) (47) (G) 56, February 12, 1947, p. 30.

⁸⁹ The Report by the Deputies on Germany to the Council of Foreign Ministers on the views of the Allied States, dated February 25, 1947, is printed on p. 40. As printed by the Council of Foreign Ministers, this Report together with Annex I thereto, setting forth the texts of the statements and memoranda of the Allied Governments on the German problem, comprised over 250 printed pages. The Annex is not reproduced in this compilation of documents.

740.00119 Control (Germany)/3-1247

*The United States Deputy for Germany at the Council of Foreign Ministers (Murphy) to the Secretary of State*⁹⁰

SECRET

BERLIN, March 1, 1947.

LONDON MEETING OF THE DEPUTIES FOR GERMANY

JANUARY 14—FEBRUARY 25, 1947

MY DEAR MR. SECRETARY: The following review and analysis of principal developments at the London Meeting of the Deputies for Germany may be of use to the American Delegation at the Moscow meeting of the Council of Foreign Ministers. Verbatim accounts of the Deputies' sessions have already gone forward to the Department.

I. GENERAL SUMMARY

The Deputies' task was twofold: To hear and report Allied views and to submit proposals on procedure.

Allied Views on the German Problem

Moderate versus Repressive Treatment of Germany: As might be expected, there was divergence of view between the "Western States" and the "eastern". Of sixteen countries which submitted views, eight clearly favored a moderate and constructive policy towards Germany not dissimilar to that expressed in Secretary Byrnes' Stuttgart speech. The four British Dominions, Belgium, The Netherlands, Denmark and Norway, while recognizing the necessity for just reparations, denazification and effective demilitarization controls, viewed the depressed condition of Germany with anxiety on account of its potential effect on their own economies or on the European and world situation at large. They favored a policy which would permit establishment in Germany of democratic political life and a reasonably prosperous economy. In private conversations of representatives of these States, with members of our Delegation, it was clear that they look hopefully to the United States for leadership in bringing healthy economic and political conditions to Germany, their own countries, and to Europe. Privately, there was disclosed apprehension over Russian aims and policy.

On the other hand, the "Soviet Five" or the "Slav Five"—Czechoslovakia, Poland, Yugoslavia, Byelorussia and the Ukraine—generally

⁹⁰The source text was transmitted to the Department as an enclosure to despatch 9164, March 12, 1947, from Berlin, not printed. Other copies are included in CFM Files, Lot M-88. It is presumed that Murphy presented copies to the Secretary of State and other members of the United States Delegation to the Fourth Session of the Council of Foreign Ministers in Moscow, March 10-April 24, 1947.

This Report, including its appendices, comprises 84 typewritten pages, of which 12 are printed here. Most of the documents included in the appendices are included elsewhere in this collection of documents.

For the background concerning Murphy's decision to prepare this report, see telegram 957, Delsec 1222, February 12, 1947, from London, p. 26.

followed the Moscow line. They advocated heavy reparations, stringent political and economic restraints, censorship and prolonged military occupation. The program of wide control advocated by Czechoslovakia, I might observe, could hardly be enforced by a military occupation alone, but would appear to require the cooperation of a totalitarian German regime. It is hard to conceive of any German Government except a Communist one providing such cooperation.

In contrast to the "moderates" which favored German political unity but on a federal basis, the Slav States advocated centralized German Government which, as the Czech Delegate pointed out, would be "easier to control".

It is difficult from the memoranda to say whether Brazil, Greece or Luxembourg favor moderate or repressive treatment. I would place them in the former category. Certainly they do not follow the Soviet line. Brazil's brief memorandum which gives evidence of French influence was mainly a criticism (of the U.S.) for failure to include Brazil in the reparation awards decided at the Paris Reparations Conference. Brazil and Luxembourg were the only States of the sixteen to favor a German political structure along lines favored by France—a loosely joined federation of states. Greece asked for maximum reparations exactions since thereby the Greek share would increase, but on the other hand, requested trade guarantees such as a twenty-year guarantee to purchase Greek tobacco, which could only be fulfilled by a fairly prosperous Germany. The Luxembourg statement concerned itself mainly with economic and territorial claims and the question of control of the Ruhr.

Polish Boundary Settlement: Only South Africa explicitly called for revision of the *de facto* Polish-German frontier. Privately, however, Belgium and Dutch representatives stated their view that no peace would endure unless it included either partial restoration of territory now under Polish administration or some arrangement whereby this area and its output would be available for Germany's over-population and food requirements.

The Ruhr: No State asked for the political separation of the Ruhr, but the majority favored economic control although they offered few details as to its organization. Belgium did, however, make the request that the control be administered by France, Britain, Belgium, The Netherlands, and Luxembourg. Belgium also proposed a 25-40 year military occupation, not only of the Ruhr and Rhineland but also of a 100-kilometer strip east of the Rhine.

Reparations: It is of some significance that eleven of the sixteen Allied countries favored, in principle, the taking of reparations from current German production. None opposed such exactions.

Territorial and Economic Claims: Luxembourg, Belgium, and The Netherlands advanced a series of relatively heavy economic claims

against Germany (transfer of mining property, power plants, transportation equipment, etc.). The representatives of the latter two States, however, declared privately that their claims were tentative and might be reconsidered if security against German military resurgence were assured and if other claimant States abated their demands. The Netherlands, Belgium, Czechoslovakia and Luxembourg presented territorial claims aggregating 1200 square miles with a population of 177,000. The Netherlands claimed 675 square miles with a population of 119,000.

Allied Views on Procedure and Participation

The majority—especially the British Dominions—were bitterly critical of the limited participation afforded at Paris and the formal auditions by the Deputies at London to which we were restricted by Soviet refusal to permit representatives of other countries to be present at the hearings.

Anxious, as were nearly all of the invited Allies to participate more actively, none, except Canada and Australia, sought explicitly to share the responsibility of the Four Powers in making the final decisions on the settlement. The general claim was for full consultation at all stages and association in the actual study of the various problems. The Belgian and Dutch Delegates, in conversation, and the South African Delegate, in formal statement, made clear that they had little belief in the practicability of working out the details of the settlement in plenary conferences.

Procedural Proposals of the Deputies

The procedural proposals of our Delegation were designed:

A. To provide a definite advance plan of organization and procedure (the lack of which has delayed and harmed the work of most peace gatherings since the Congress of Vienna).

B. To afford the Allies full consultation and a reasonable degree of participation in the peacemaking, but initially at least without plenary conferences which with their accompaniments of rhetorical debate and appeals to public opinion, would certainly delay and might even endanger reaching agreement on Germany.

The British and the French seemed generally to share our views, and it might have been possible to have formulated a tripartite procedural proposal.

The efforts of the Soviets were: (1) to prevent a three to one line-up against them; (2) to exclude true Allied participation in the peacemaking; (3) to block adoption of a definite committee organization and a coordinated approach to the problems of the peace.

The Soviet Deputy was ready to admit the further presentation of Allied views, under restrictive circumstances, mainly before an Information and Consultation Committee on which the Allied States were not to be represented.

The Soviets also proposed limiting any association with committee studies to the 12 Allies whose territory had suffered occupation by Germany. Six of these twelve States, it should be noted, are definitely under Soviet influence.

The Soviet Deputy worked consistently to restrict Allied participation in the preparation of the German peace settlement. In this regard, it is important to note that the hearings showed a probable majority of the invited States to be opposed to some of the Soviet aims and conception of the peace.

I believe that the Soviet representative considered that, if the Allied States really participated in the settlement, no priority could be assured for the questions in which the Soviets are interested. Under a broad program, Russian claims would be seen in their relation to the whole problem and be pared down accordingly. Given this Soviet attitude and reasoning, as well as the French—and British—unwillingness to join in a tri-partite proposal, the final result that each Delegation would submit its own proposals to the Moscow meeting was inevitable.

Thus the London discussion exposed the views on procedure of the four Governments, and while no agreement was reached, the spade work done may facilitate the task of the Ministers in this regard. Fearing to be out-voted, the Soviet Representative clutched firmly to his initial position against practical participation in the peace-making by the eighteen Allied States.

Whether this Soviet position will be relaxed at Moscow remains to be seen.

[The remainder of this report was devoted to a more detailed summary of the Allied views on the German problem and the negotiations of the Deputies on questions of procedure.]

B. MEETINGS OF THE DEPUTIES FOR AUSTRIA

740.00119 Council/1-1747: Telegram

The United States Deputy for Austria at the Council of Foreign Ministers (Clark) to the Secretary of State

SECRET

LONDON, January 17, 1947—3 p.m.

359. Delsec 1117 from Clark. Deputies for Austria met January 16 at 10:30 with Viscount Hood in chair.⁹¹ I withdrew original US

⁹¹ This was the 1st Meeting of the Deputies for Austria. The Deputies were: for the United States—General Mark W. Clark; for the United Kingdom—Viscount Samuel Hood; for the Soviet Union—Fedor Tarasovich Gusev; for France—Maurice Couve de Murville.

draft for treaty (CFM-46-119⁹²) and gave notice of new draft to be presented.⁹³ Couve de Murville gave notice of forthcoming French draft. UK stood by original draft (CFM-46-151⁹⁴) but warned of modifications of economic clauses. Soviet proposals to appear during discussion.

It was agreed that the deputies would proceed with a discussion of the character and structure of the treaty and that technical clauses would be referred to appropriate committees for study and recommendations.⁹⁵

It was agreed to ask Yugoslavia, Poland, Canada, South Africa, Australia to be heard separately on specific dates and to submit memoranda prior to appearance before deputies. Other states extended invitation have not as yet replied and will be given specific dates as requested. Austria will be heard after United Nations and asked to submit memorandum. Way was left open for special joint meetings where allied states and Austria might participate simultaneously.⁹⁶

"Treaty for the re-establishment of an independent and democratic Austria" agreed as title.

Question of who should be parties to treaty precipitated argument. Gousev wants to limit to Big Four and Austria with possibility of adherence, by others. Hood wants nations who were invited to express views to participate. I agreed with Soviet view, but if could not be agreed to by deputies, Foreign Ministers would decide. Discussion of this question will be resumed at next meeting.

Repeated Vienna 7.

[CLARK]

⁹² The United States proposal for a Draft Treaty with Austria was circulated to the Second Session of the Council of Foreign Ministers at Paris as document C.F.M. (46) 119, June 20, 1946, not printed. It was not considered at this time. At its 41st and 42nd Meetings, July 12, 1946, noon and 5 p.m., respectively, the Council of Foreign Ministers discussed the question of an Austrian peace treaty; for the United States Delegation records of those meetings, see *Foreign Relations*, 1946, vol. II, pp. 907 and 918.

⁹³ With the approval of the Department of State, General Clark subsequently decided not to submit the United States proposal for a draft treaty as a whole but rather on a piecemeal basis as various subjects came up for discussion by the Deputies. The United Kingdom and French Deputies adopted the same procedure.

⁹⁴ The United Kingdom proposal for a Draft Treaty with Austria was circulated to the Second Session of the Council of Foreign Ministers at Paris as document C.F.M. (46) 151, June 26, 1946, not printed.

⁹⁵ At their 2nd Meeting on January 17, the Deputies for Austria agreed that the treaty with Austria should be divided into political, military, and economic parts and its general form should be on the same lines as the Treaties of Peace with Italy and Rumania.

⁹⁶ Representatives of the various invited United Nations were given hearings by the Deputies for Austria on the following dates: Yugoslavia-January 22; Poland-January 23; Australia-January 24; South Africa-January 25; Greece-January 27; Czechoslovakia-January 28; New Zealand-February 5; and the Ukrainian Soviet Socialist Republic-February 8. Austrian representatives made oral presentations to the Deputies on January 30, January 31, and February 5. Finally, on February 14 the Deputies had a joint hearing of Yugoslav and Austrian representatives. The texts of these oral presentations were circulated to Deputies as formal documents which are identified in the Final Report of the Deputies for Austria, February 25, 1947, p. 134.

CFM Files : Lot M-88 : Box 76

*Memorandum of the Government of the Federative People's Republic of Yugoslavia on Slovene Carinthia, the Slovene Frontier Areas of Styria and the Croats of Burgenland*⁹⁷

[Extract]

Therefore, the Government of the Federative People's Republic of Yugoslavia, stating in the enclosed annexes⁹⁸ the facts
 on the participation of Austria in the Hitlerite aggression against and the occupation of Yugoslavia,
 on the national liberation struggle of the Carinthian Slovenes,
 on the ethnical character of Slovene Carinthia (with the ethnographic atlas enclosed),
 on the history of the Carinthian Slovenes,
 on the geographic and economic ties of the claimed territory with Yugoslavia,
 on the Croats of Burgenland,

have the honour to submit the following claims:

1) that Slovene Carinthia, with a surface of 2470 km² and 180,000 inhabitants, and the Slovene frontier areas in Styria, with a surface of approximately 130 km² and 10,000 inhabitants, be united to Yugoslavia and a new delimitation of the frontier be carried out along the line:

from point 1496 in the Karn Alps (Karnische Alpen), along the gorge of the Krnica (Garnitzen), to the confluence of the Krnica and the Zila (Gail), then in a north-easterly direction to point 952 (Hohe Wand) and Negal (Spitzegel, 2118) in the Zila Alps (Gailtaler Alpen), along the ridge of the Zila Alps to Spicek (1329) and across the Beli Potok (Weissenbach) to Bukovnik (Buchberg, 662), further along the Drava from point 493, north of Gornja Bela (Obervellach), to the village of Dole (Duel), east of the mouth of the Zila;

from there in a northern direction to point 852 on Osojske Ture (Ossiacher Tauern), along the ridge of Osojske Ture eastwards to Golimje (Gallinberg, 1045), over Senturška Gora (St. Ulrichsberg, 1015), Sentlenška Gora (Magdalensberg, 1056), along points 1074 and 1079 to the Krka (Gurk), crossing it to the south of the village of Sent Janž na Mosticu (St. Johann am Brückl); from the Krka over

⁹⁷ A brief covering communication, dated January 15, 1947, from the Yugoslav Delegation in London for the meetings of the Deputies for Austria, was circulated to the Deputies as document CFM (D) (47) (A) 9, January 20, 1947. Printed copies of this memorandum had been previously circulated to the Deputies on January 16. This memorandum was subsequently referred to as document CFM (D) (47) (A) 9. A reproduction of this memorandum together with maps delineating the frontiers proposed by the Yugoslav Government was published by the Yugoslav Government in a pamphlet entitled *The Question of 200,000 Yugoslavs in Austria: The Slovene Carinthia and the Burgenland Croats* (Beograd, 1947).

⁹⁸ Annexes under reference are not printed here.

point 1225 to Zapotnikova Peč (Sapotnig Ofen, 1413), and along the ridge of Svinška Planina (Sauvalpe) to point 1899 (Speikkogl);

thence the line descends south-eastwards over point 1218 near Sv. Lenart (St. Leonard), comprising the valley of Gradnica (Granitz) and Šent Pavel (St. Paul) in the Laboška Valley (Lavanttal), climbs the Brandel (1448) and runs along the ridge to the top of Golica (Koralpe, 2144);

thence it descends along the watershed between the Drava and Mura comprising the commune of Sobota (Soboth), to a point on the former frontier southeast of Hadernik (Hadernig, 1083);

it leaves this frontier again at point 697, southeast of the village of Arvež (Arnfels), and goes to Kamajer (Kameier Kogl), runs over the Karnarjev Vrh (Karner Kogl), along the watershed between the Pesnica (Pössnitz) and Gomilica (Gamlitz), to a point on the former frontier near Slatina;

finally, it leaves the frontier again at point 209 on the Mura, north of the village of Lutverci, leaving the Radgona (Radkersburg) triangle to Yugoslavia, following a line west of the villages of Farovci (Pfarrsdorf) and Pridova (Pridahof), and then reaches the former frontier to the northwest of the village of Korovci;

2) that the further germanisation of the Burgenland Croats be prevented and their question settled either by the granting of a special statute guaranteeing their national rights, or—as proposed by the Government of the Federative People's Republic of Yugoslavia for the other Yugoslavs who would still remain in Austria—by an exchange of populations, i.e. their exchange with the Austrian minority, which the new frontier would leave in Yugoslavia and which is, of course, nothing else but the result of the forcible germanisation of the last decades.

Conscious of the great contribution she made to the common victory over the fascist invaders, Yugoslavia is expecting with full right that the Allies fulfil her just claims with regard to Slovene Carinthia, the Slovene frontier areas in Styria and the Burgenland Croats, especially in view of the fact, that her justified demands had not been given due consideration in the drafting of the peace treaties so far. The Yugoslav Government hope that the Federative People's Republic of Yugoslavia shall not be exposed to the same treatment again.

740.00119 Council/1-2447 : Telegram

The United States Deputy for Austria at the Council of Foreign Ministers (Clark) to the Secretary of State

SECRET

LONDON, January 24, 1947—1 p.m.

502. Delsec 1135 from Clark. Austrian deputies meeting January 22 heard Yugoslav statement by Dr. Joze Vilfan.⁹⁹ Statement empha-

⁹⁹ This was the 4th Meeting of the Deputies for Austria. The text of the Yugoslav statement was circulated to the Deputies as document CFM(D) (47) (A) 12, January 22, 1947, not printed.

sized responsibility of Austria for war participation and role of Austria as part of Nazi war machine. Historical recital pointed out Austrian pan-Germanism. Statement concluded that reparation to Yugoslavia justified, that creation of any Austrian armed forces and para-military organizations would lead to serious consequences, that denazification has hardly begun, that Austrian Germanizing tendencies must be stopped. Vilfan traced long Germanizing record of Austria under empire, republic and Germany. Territory claimed by Yugoslavia¹ said to be ethnically Slovene on basis of census of 1846 and data concerning language used in churches and by school children. Reference made to decree of provincial government of Carinthia of October 31, 1945. 120-130 thousand Slovenes and 60,000 Germans were figures cited for territories claimed in Slovene Carinthia. 70,000 Burgenland Croats said to be living in Austria. Request made that they be protected by special statute or arrangement of exchange of population with Austrian minority in Slovene Carinthia.

June 2, 1919 memorandum from Douglas Johnson to President Wilson quoted in favor of transferring the territory.

Questioned by Hood, Vilfan said 1910 census of only relative value as taken under anti-Slav bias while 1846 census termed most authentic. Plebiscite of 1920 also called biased. Questioned by Gousev, Vilfan termed displaced persons in Austria a menace to Yugoslavia as containing many quislings and collaborators.

Hearing Yugoslav views only business of meeting.

Department pass to War Department for information.

[CLARK]

740.00119 Council/1-2947: Telegram

The United States Deputy for Austria at the Council of Foreign Ministers (Clark) to the Secretary of State

SECRET

LONDON, January 29, 1947—5 p.m.

627. Delsec 1155 from Clark. Austrian Deputies January 28 heard following Czechoslovak views presented by Karol Lisicky:² Czechoslovakia particularly interested in reestablishment of independent and democratic Austria because of Czechoslovak geographical position and strategic reasons resulting therefrom; thorough de-Nazification urged; prohibition of Anschluss and its propagation; no concrete proposals

¹ For the statement of the Yugoslav territorial claims against Austria, see the memorandum *supra*.

² This was the 9th Meeting of the Deputies for Austria. The text of the Czechoslovak statement was circulated to the Deputies as document C.F.M. (D) (47) (A) 21, January 28, 1947, not printed.

made for carrying out prohibition or formulating it; violation of prohibition against Anschluss would fall under chapters 6 and 7 of United Nations Charter provoking intervention by Security Council.

Support requested for Czechoslovak-Austrian bilateral negotiations on following frontier adjustments:

(1) Austria to transfer to Austrian [*Czechoslovak?*] territory within two years section of narrow-gauge railway passing across Czechoslovakian territory on line from Austrian frontier station of Gmund to Austrian town of Litschau.

(2) Free transit on highway across Austrian territory between Czechoslovak towns of Nova Bystrice and Chlum.

(3) Cession of land along Austrian bank of River Dyje where hydro-electric dams are to be built near Hardegg and unnamed site further downstream where another dam is to be built. Interstate agreement of 10 March 1921 held to cover development of water power system and transfer of land.

(4) Cession of two small areas west and northeast of Laa an der Thaya on the River Dyje to shorten frontier.

(5) Cession of territory 33 yards wide and 8 miles long from Breclava to point where Morava flows into Danube for moving course of Morava to allow extension of Elbe-Oder-Danube Canal.

(6) Cession of 5,880 acres to extend Bratislava bridgehead westward.

Answering M. Couve de Murville, Lisicky said he had strong hope for success of bilateral negotiations regarding frontier if occupying powers would declare they have no objections and would welcome direct negotiations.³

Remainder of meeting was devoted to drafting following telegram proposed by Gousev which each deputy agreed to send to his high commissioner in Austria:

[Here follows the text of document C.F.M.(D) (47) (A) 20, January 28, 1947, the text of a telegram to the Allied Commission for Austria, asking for reports on (a) the status of demilitarization in Austria, and (b) the status of displaced persons in Austria.⁴]

Sent Department 627; repeated Vienna 23 (AusPolAd Vienna pass to USFA for information).

[CLARK]

³ At their 17th Meeting, February 7, 1947, the Deputies for Austria approved the texts of letters addressed to the Czechoslovak and Austrian Delegations to the Council of Foreign Ministers which stated that direct negotiation between the Czechoslovak and Austrian Governments on the frontier questions would appear very desirable. The texts of these letters were included as annexes to the Record of Decisions of the meeting.

⁴ The report requested by the Deputies, dated February 7, 1947, was subsequently circulated to the Deputies as document C.F.M.(D) (47) (A) 56, February 12, 1947, not printed. At their 25th Meeting, February 19, 1947, the Deputies agreed to consider the substance of the report as and when matters relating to it came up for discussion.

740.00119 Council/1-3047 : Telegram

The United States Deputy for Austria at the Council of Foreign Ministers (Clark) to the Secretary of State

SECRET

LONDON, January 30, 1947—6 p.m.

670. Delsec 1164 from Clark. The Austrian deputies met this morning at 10:30 to continue the discussion on political clauses.⁵ Since it had been decided to pass over the question raised in US article 4 of a special guarantee of Austrian independence, I opened discussion on US article 5.⁶ M. Couve de Murville noted that there were only differences of wording between the French article 1 B and US article 5. Hood signified agreement in principle but said he would have drafting suggestions to be made at committee level. Gousev agreed to prohibition of Anschluss but said wording of US draft was too general. He said responsibilities of members of United Nations were amply covered by United Nations Charter and presumably Austria would be a member. I said aim of article was to prevent Anschluss with or subordination to any other country. Therefore, additional obligations over and above those of United Nations members justified. Gousev disagreed and referred to absence of any such provision in Italian treaty. M. Couve de Murville pointed out that United Nations Charter says nothing against a union between two states, and therefore, since we wish to guard against this, a special provision is necessary. Hood reserved right to present an article forbidding Anschluss and stating that Austria has responsibility to undertake to abstain from any act leading to Anschluss or compromising her independence. Gousev agreed to these general principles voiced by Hood. It was agreed to discontinue discussion of this point until United Kingdom and Soviet drafts were received presumably tomorrow when sub-committee would take up discussion.

Discussion then turned on United Kingdom and French clauses providing for inclusion in German settlement of recognition by Germany of Austrian independence and renunciation by Germany of right and title to Austrian territory. I said I would accept either one. It was generally agreed that such a clause should contain wording similar to that in articles 29 and 34 of Italian treaty,⁷ concerning Italian interests in Albania and Ethiopia. It was agreed to refer this question to

⁵ This was the 10th Meeting of the Deputies for Austria.

⁶ The article under reference here was included in the proposals of the United States Delegation for the political clauses of a draft Austrian peace treaty, circulated to the Deputies as document C.F.M. (D) (47) (A) 6, January 18, 1947, not printed. The proposed article was subsequently included as paragraph 3 of Article 2 of the Draft Treaty for the Re-Establishment of an Independent and Democratic Austria, March 29, 1947, p. 519.

⁷ For the text of the Treaty of Peace with Italy, signed at Paris on February 10, 1947, see Department of State Treaties and Other International Acts Series 1648.

the political sub-committee for drafting since all views were close together.

Inclusion of a clause stating that annexation of Austria and measures resulting from it are null and void was next discussed. I stated that I would have no objection to such a clause providing there was recognition of work already accomplished by Control Council and Austrian Government in separating Austria from Germany. There was general agreement with my suggestion. Discussion was deferred when Hood, objecting to too general terms of French draft, asked for further time to consider.

Frontiers were then discussed. United Kingdom, US and French clauses fixing frontiers were practically identical, but US draft includes provision to note Austro-Italian agreement on Bolzano,⁸ and provision for United Nations to support freedom of transit for Austrians between Salzburg and Lofer. Hood ready to accept both latter provisions. M. Couve de Murville agreed to both in principle but reserved final opinion until Austria is heard. Gousev was non-committal. Subject of frontiers dropped here until after hearing of Austrians.

In discussion of question of Austrian nationality, Gousev opposed to all UK and French clauses on this subject except for French provisions for refusing naturalization to German nationals who were Nazi party members and for cancellation of naturalization of German nationals which took place between March 1, 1933 and March 13, 1938 except for naturalizations justified by legitimate interests. Gousev raised the question of naturalization of displaced persons and refugees saying he wanted to hear views of Austrian Government on this before expressing an opinion. Both Gousev and I stated that determination of Austrian citizenship was a matter within competence of the Austrian Government. Discussion on this point will be resumed after hearing Austrian views tomorrow.

[CLARK]

740.00119 Council/1-3147 : Telegram

The United States Deputy for Austria at the Council of Foreign Ministers (Clark) to the Secretary of State

SECRET

LONDON, January 31, 1947—8 p.m.

703. Delsec 1170 from Clark. The Austrian deputies heard Chancellor Figl and Foreign Minister Gruber present the Austrian views on January 30.⁹ A summary of Figl's remarks follows: Austria was the

⁸ The agreement under reference here, dated September 5, 1946, is included as Annex IV to the Treaty of Peace with Italy.

⁹ This was the 11th Meeting of the Deputies for Austria. The texts of the statements by the Austrian representatives were circulated to the Deputies in document C.F.M. (D) (47) (A) 23, January 30, 1947, not printed.

first victim of Hitler's aggression; Austria as a state could not have been forced into the war as she had been totally occupied and deprived of her government.¹⁰ Austria has a moral right to be treated as a nation which was oppressed by Hitler and has now been liberated. Rehabilitation of Austria must find expression in the actual provisions of the treaty. Two important tasks of treaty are to separate Austria from Germany and that Austria not be forced to carry a burden hindering reconstruction.

Austria has a long history of democracy and the administration has been purged of Nazi elements. De-Nazification law with amendments agreed by Allied Council on December 13 will be presented to Parliament on February 5. Treaty should provide for reestablishment of 1937 frontiers. Carinthia population remains loyal to Austria and territorial claims concerning southern Styria by other nations are without ethnic justification. Croatian population of Burgenland does not desire any change. Treaty should also contain human rights clause and provision for support of Austrian Candidature for United Nations; termination of occupation and fixed period for withdrawals of troops; no reparations from Austria; armed forces for frontier control and internal security; provisions for the return of all prisoners of war; settlement of displaced persons problem by international agreement.

Austria does not ask for general indemnities from Germany but asks for restitution of capital taken from Austria to Germany and liquidation of German economic property in Austria which will not be used to meet reparation claims of Allied and associated powers. Germany should be obliged to furnish raw materials and industrial products necessary for the Austrian economy in return for adequate payments. The transfer of economic assets from Austrian owners to German ones should be invalidated. Austria agrees to restitution to citizens of Allied and associated powers for property taken from them on Austrian territory [*in the*] state in which this property is at present, but Germany should be made liable for damages which cannot be made good by restitution. Austrian property abroad should be released on the day of conclusion of the treaty. Sequestration of Austrian property as German property should be repealed and indemnities paid if property has been liquidated.

¹⁰ The text of Chancellor Figl's statement at this point reads as follows:

"The forcible annexation of Austria took place in a period in which the Fascist regimes had reached their apex. The fact that there was no military reaction whatsoever on the part of the Great Powers and that diplomatic reactions were very weak was bound to discourage the Austrians even further. It would, therefore, be unfair to hold those Austrians who were forced into the service of Hitler's war machine fully responsible for their now tragic fate. Austria herself could not be forced into Hitler's war, as she had been totally occupied by the invaders and deprived of her Government, but 'Austrians' were finally forced to serve individually Hitler's war machine."

Austria is prepared to resume service of Austria's foreign debts. Economic relations with third states must be made possible on the basis of reciprocity without discriminatory limitations.

Austria needs free transit across the Berchtesgaden salient. Austria desires continuation of the validity of collective treaties and the right to negotiate bilaterally.

Austria requests balancing of relief deliveries by the Allies to Austria against cost to Austria of occupation.

Gruber elaborated somewhat the above-mentioned points and refuted Yugoslav statistics on Carinthian population. He claimed Austria and Denmark only countries whose minorities made no complaint against them before League of Nations between the wars.

After Austrians left room, a sharp discussion was precipitated between Gousev and Hood and myself, by my introduction of Yugoslav letter¹¹ received during course of meeting which requested Hans Piesch, Governor of Carinthia, be denied right to be present at meetings of deputies with Austrian delegation on ground that he had close Nazi connections. I took a position, supported by Hood, that no action could be taken because information on Piesch would have to come from Allied Control Council in Vienna or from British High Commissioner in Austria and that there was insufficient time to secure the information and take a decision before next meeting of deputies. Hood also maintained, with my support, that no state not represented on Council of Deputies could dictate who should be received by Deputies. Gousev pressed the matter and declared that decision to take or not to take action could not be made until after question had been examined. Matter was left with possibility of preliminary meeting at 10 a.m. Friday to discuss Piesch case before questioning of Austrians at 10:30. I said a unanimous vote would be required to debar Piesch because he had already been admitted as member of Austrian delegation. Meeting then adjourned.

Pass to War Department for information.

[CLARK]

740.00119 Council/2-147 : Telegram

The United States Deputy for Austria at the Council of Foreign Ministers (Clark) to the Secretary of State

SECRET

LONDON, February 1, 1947—8 p.m.

709. Delsec 1174 from Clark. The Austrian deputies on January 31¹² opened their session with a discussion of the Yugoslav allegations concerning Dr. Piesch. It was agreed to request the Allied Commission

¹¹ The Yugoslav communication, dated January 30, 1947, was circulated to the Deputies as document C.F.M. (D) (47) (A) 22, January 30, 1947, not printed.

¹² This was the 12th Meeting of the Deputies for Austria.

for Austria to investigate his record for Nazi connections and to report to the deputies by the 15th of February. Gousev reserved right to question Piesch when the Austrian delegation came to the meeting.

It was agreed to hear the Belgian representatives on February 4 and the New Zealanders February 5.

On my suggestion an economic sub-committee was appointed. I informed the meeting that I would not submit a draft of all the economic clauses at once, but article by article during the course of discussion. Hood said that the British draft on economic clauses, more or less complete, would be circulated soon and a new draft of the clause on restitution would be circulated this week-end. M. Couve de Murville said French draft of economic clauses almost complete and suggested that in any case the sub-committee could meet Monday and prepare an agenda and begin discussion available drafts.

In answer to Hood, Gruber, who was spokesman for Austrian delegation, replied that 90 percent of Carinthian population had voted on 25 November, 1945, for the three Austrian political parties which Carinthians knew stood for the integrity of Carinthia within the Austrian state. In reply to my question as to whether Austria was prepared to discuss Czechoslovak frontier demands bilaterally before or after signing of Austrian treaty, Gruber stated that his government had notified Czechoslovakia that they would study the Czechoslovak demands and discuss them after the establishment of Austrian sovereignty. He stated also that special attention would be given this matter since Austria considered Czechoslovak friendship an essential policy aim.

Gousev asked if the Austrian Government recognized the Moscow declaration¹³ completely or only partly. Gruber replied completely, but pointed out that in regard to the responsibility of Austria for taking part in the war with Germany, it should be understood that there could be no question of responsibility of the Austrian Government since there had been no such government after the Anschluss and there could only be responsibility of individual Austrians. Furthermore, in judging the part played by Austrians during the war, a balance should be made between the minority which helped the Hitler machine and the majority who opposed it and assisted in their own liberation. This answer did not satisfy Gousev and he stated that the Three Great Powers had stated in November 1943 that they did not recognize the annexation of Austria by Germany. Austria must be considered either as a separate state or a part of the German Reich

¹³ The reference here is to the Declaration on Austria, included as Annex 6 to the Protocols of the Moscow Tripartite Conference of Foreign Ministers, November 1, 1943, *Foreign Relations*, 1943, vol. 1, p. 761. The Declaration on Austria was made public at that time.

in the past. Hood said at this point that his government had in fact tacitly accepted the fact that Austria had ceased to exist as a sovereign state in March 1938, and for that reason had wished to make plain in 1943 that the annexation of Austria was null and void. Gruber said that the Moscow Declaration had been addressed to individual Austrians and not to an Austrian state and that recognition of the non-existence of an Austrian state was indicated by the fact that there had been no Austrian Minister at the capital of any one of the states represented by the deputies. Gousev repeated his question whether the Austrian Government recognized completely the Moscow Declaration or not. Gruber replied in the affirmative but stated again that the Declaration in 1943 could not have been addressed to an Austrian state and that the war responsibility of the Austrians could not be judged in 1943 but must be judged now in the light of history and Austria's contribution to her own liberation. Gousev asked for a detailed estimate by the Austrian Government of the Austrian contribution to their liberation and for an explanation of the words in annex A of their memorandum "supported by the attitude of the Austrian population". Gruber will present a memorandum on this subject.

Gousev made inquiry as to the number of Austrians serving in the German Army and the number of divisions or military units. Gruber replied that there had been no Austrian divisions but only German divisions in which Austrians had been forced to serve, and that consequently the Austrian Government had no figures. He said he would undertake to submit a memorandum on this subject. Gousev asked that Gruber include in his memorandum data on the number of Austrians employed in military industries and the number who served the German war machine.

Gousev asked if the Austrian Government recognized the Potsdam decision regarding German assets in eastern Austria¹⁴ and intended to fulfill it. Hood noted that the decision affected western Austria as well as eastern Austria. Gruber said that Austria recognized the Potsdam Agreement but that the Agreement had never been formally communicated to his government, and that as for fulfilling it his government was bound by the control agreement for Austria¹⁵ under Article I B and V which forbade Austria taking any action in this matter without the written permission of the Allied Commission. He said that no instructions had been received from the Allied Commission on this matter. The Austrian Government had written several letters to the

¹⁴ See Part IV, paragraph 9 of the Report on the Tripartite Conference of Berlin, August 2, 1945, *Foreign Relations*, The Conference of Berlin (The Potsdam Conference), 1945, vol. II, p. 1506.

¹⁵ For the text of the agreement between the United States, the Soviet Union, the United Kingdom, and France on the machinery of control in Austria, June 28, 1946, see Department of State *Bulletin*, July 28, 1946, p. 175.

Allied Commission regarding this matter, but had received no reply. However, Gruber said, Austria was willing to carry out the provisions of the Potsdam Agreement when ordered to do so by the Commission and wished only that Germanized Austrian property should be restored to Austria in accordance with the London declaration of 1943 regarding forced transfers.¹⁶

I commented that on many occasions I had raised the question of German assets in the Control Council, but that the Soviets had always refused to discuss the matter. Gousev said that he was not interested in the past but wanted to know whether the Austrian Government does recognize the Potsdam decision and if it is ready to fulfill its provisions. Gruber then replied categorically that his government recognized the Potsdam decision and that it wanted to begin fulfilling its provisions as soon as it received the order to do so from the Allied Commission.

It was agreed to discontinue the questioning and that the Austrian representatives should be asked to appear at a later date if any of the deputies felt that this would be necessary.¹⁷ It was agreed to resume discussion of the political clauses at the next meeting on Monday, February 3.

Pass to War Department for information.

[CLARK]

740.00119 Council/2-547 : Telegram

The United States Deputy for Austria at the Council of Foreign Ministers (Clark) to the Secretary of State

SECRET

LONDON, February 5, 1947—7 p.m.

792. Delsec 1186 from Clark. The Austrian deputies met at 10:30 February 4th and continued their discussion of the clauses on war criminals.¹⁸ I said that I was willing to admit that there were war criminals in Austria whose trials should be expedited and that my Government was as anxious as anyone to accomplish this but that the process must be carried out in such a way as to protect the rights of accused individuals. I said that "satisfactory evidence" must be given to show that a man is a war criminal and that there must be no arbi-

¹⁶ The reference here is to the Inter-Allied Declaration Against Acts of Disposition Committed in Territories Under Enemy Occupation or Control, released to the press on January 5, 1943, *Foreign Relations*, 1943, vol. I, p. 443.

¹⁷ At the 15th Meeting of the Deputies for Austria, February 5, the Austrian representatives answered a series of questions put by the Deputies; this hearing is summarized in the addendum to document C.F.M. (D) (47) (A) 23, January 30, 1947, not printed.

¹⁸ This was the 14th Meeting of the Deputies for Austria.

trary decisions in the matter. Article 17 of the United States draft ¹⁹ was designed to provide for this. Gousev maintained his position for the inclusion of an article similar to the corresponding articles of the Italian and satellite treaties. Hood said that he agreed in principle to the inclusion of an article on war criminals provided it was aimed at an early settlement. However, he maintained that the problem in Austria was different from that of the satellite states. He said that he was ready to accept an article similar to the United States proposal. Hood added that the Allied Council might be encouraged to settle the war criminal question before the coming into force of the treaty, if they were asked to do so.

I said that there had always been a fundamental difference of opinion between the Soviets and ourselves in Austria with regard to the handling of war criminal cases, and that this difference could not be overcome by any amount of pressure on the Allied Council. I cited cases where the Soviets had requested the handing over of alleged Soviet nationals who had proven not to be either Soviet nationals or war criminals. I said that the Soviets are working under the principle that if they say a man is a Soviet citizen and a war criminal that this fact alone should constitute "satisfactory evidence"; whereas, the position of my Government is that there should be sufficient evidence to show that the individual to be surrendered is in fact the alleged suspect, that he is a citizen of the requesting state and that there are some grounds for the suspicion as to his guilt. I stated that I saw no reason for changing the US position after the treaty comes into force.

Gousev then launched into a long argument attempting to prove that there was no necessity for satisfactory evidence. He insisted that the Moscow declaration, point A of Article 8 of the agreement on control machinery, dated July 4, 1945,²⁰ and point A of Article 11 of the German surrender declaration²¹ all indicated that a request by an allied state for the surrender of a suspected war criminal is sufficient justification for the surrender. He called on the deputies to fulfill the obligations devolving from the above mentioned agreement and declaration. I replied that the United States would carry out its obligations implicitly as it had in the past.

¹⁹ The article under reference here was included in the proposals of the United States Delegation for the political clauses of a draft Austrian peace treaty, circulated to the Deputies as document C.F.M. (D) (47) (A) 6, January 18, 1947, not printed. The article was subsequently included as a joint U.S.-U.K. proposal for article 11 to the Draft Treaty for the Re-Establishment of an Independent and Democratic Austria, March 29, 1947, p. 516.

²⁰ For text, see *Foreign Relations, The Conference of Berlin (The Potsdam Conference)*, 1945, vol. I, p. 351. For documentation see *ibid.*, vol. I, pp. 347-356, and vol. II, pp. 668-685.

²¹ The reference here is to the Declaration Regarding the Defeat of Germany and the Assumption of Supreme Authority by the Allied Powers, June 5, 1945, Department of State *Bulletin*, June 10, 1945, p. 1051.

It was agreed to defer further discussion of this subject.

Gousev proposed that a letter be addressed to the Allied Council in Austria urging more energetic measures to apprehend war criminals and bring them to trial. Hood replied that he had proposed that only as a complement to his acceptance of the United States draft. I said that I could not agree to it since it implied a lack of previous effort on the part of the Allied Council and would provide a beautiful opportunity for propaganda and ballyhoo. I said that I was willing to ask only for a report on the progress of bringing war criminals to trial.

It was agreed that the chairman submit a draft telegram covering my proposal at the next meeting of deputies.²² New Zealand's views are to be heard tomorrow, and on Gousev's suggestion, Austrians are to be invited for further questioning following New Zealand's hearing.

Re the US position reference the proposed war criminal clause in Austrian treaty, I am firmly convinced that we should stand by our present draft, as opposed to the clause as it is written into the satellite treaties even if a disagreement in the matter must be reported to CFM. The presence in Austria of thousands of displaced persons, among whom are a substantial number of persons who do not desire to be repatriated because of the changed political situation in their countries of origin, poses a problem of an especial nature that was not existent in the satellite states. These displaced persons are, and have been for many months, the target of Soviet charges and propaganda to the effect that great numbers of them are war criminals, traitors to their countries or collaborators with the enemy against United Nations. Such a charge we know to be unfounded. In addition, we know that the Soviets and Yugoslavs have submitted lists of persons alleged to be in these categories, where such lists include large numbers of persons who are neither in Austria nor citizens of the requesting nation, as alleged, and who are merely designated as war criminals, traitors or collaborators with not the slightest reason being given for this designation.

²² At their 15th Meeting, February 5, 1947, the Deputies for Austria agreed on the text of a telegram to be sent to the Chairman and to each of the High Commissioners on the Allied Council for Austria, requesting a report on the decisions already adopted and the measures currently being taken to bring to trial those war criminals present in Austria. The text of the telegram was included as an annex to the Record of Decisions of the Deputies' meeting. The Report requested by the Deputies, dated February 14, 1947, was subsequently circulated to the Deputies as document C.F.M. (D) (47) (A) 80, February 18, 1947, not printed. At their 25th Meeting, February 19, 1947, the Deputies for Austria agreed to consider the substance of the Report as and when matters relating to it came up for discussion.

In view of these considerations, there is more than ample justification for our insistence on the "satisfactory evidence" phrase against which Gousev is violently opposed.²³

Dept pass to War Department for information.

[CLARK]

740.00119 Council/2-1047: Telegram

The United States Deputy for Austria at the Council of Foreign Ministers (Clark) to the Secretary of State

SECRET

LONDON, February 10, 1947—4 p.m.

903. Delsec 1211 from Clark. Deputies for Austria at February 8 session heard Mr. I. S. Senin, representative Ukrainian SSR, give views, obviously Soviet inspired, re Austrian treaty.²⁴ Senin declared treaty should ensure prevention Austria being used in future as *place d'armes* for attacks vs her neighbors; political and economic sovereignty Austria; prohibition Anschluss or bloc with Germany; Austria guarantee to suppress Pan German and Nazi propaganda; transfer to Germany all Germans coming to Austria after March 13, 1938; and settlement displaced persons problem by repatriation discussion followed Senin's presentation.

Chairman announced receipt of communication from Yugoslav delegation, which stated that it required more time to study Austrian documents re Carinthia and would be unable to appear at joint session with Austrian delegation until end of next week. This is undoubtedly another move by Soviets to stall discussion of frontier claims by Yugoslavs and Czechs.

During discussion articles on withdrawal Allied forces and termination ACA control, sharp debate ensued between Gousev and me when, after British and French indicated agreement with US views in these matters, I pressed Gousev for his views re the 90-day withdrawal clause. Gousev evaded direct reply and went into long tirade against US and British for not following wording satellite treaty clauses when the latter were applicable Austria. He claimed CFM in New York decided that this would be done to facilitate drafting Austrian treaty. He referred particularly to my stand on war criminal

²³ Telegram 641, Secdel 1288, February 7, to London, not printed, stated that the Department of State strongly supported all aspects of the stand taken by Gen. Clark on the war criminals matter (740.00119 Council/2-547).

²⁴ This was the 18th Meeting of the Deputies for Austria. The text of the Ukrainian statement was circulated to the Deputies as document C.F.M. (D) (47) (A) 45, February 7, 1947, not printed.

article and concluded that because of US and British tactics he now reserved right non-adherence to satellite wording for articles under discussion.

In reply to Gousev I insisted that some Austrian problems were entirely different in nature from those found in satellite states and therefore treaty clauses for those states should not be followed blindly in drafting Austrian treaty. I admitted desirability making maximum use satellite clauses but insisted deputies must determine applicability. Re war criminal article, I emphasized determination to stand by US position. (In this connection, I note with satisfaction your comments re this subject in Secdel 1288, February 7,²⁵ received subsequent to session reported in this message.) I concluded by again putting direct question to Gousev whether he was or was not agreeable to 90-day withdrawal.

Gousev remained evasive, stating that he would make no exception to rule using satellite treaty wording when such was applicable Austria. At this point, British deputy reminded Gousev that CFM decided only upon using general form satellite treaties framing Austrian treaty and had not specified that exact wording of clauses in satellite treaties must be taken for Austria.

Replying to question by me, Gousev stated Soviet representatives on military committee insisted upon variation from satellite treaty wording because Austria presented special problem re demilitarization, denazification, etc. This gave me opportunity to say that the existence in Austria of certain conditions which did not prevail in satellite states was also reason why I insisted upon modifications in war criminals article and that Gousev's position re military clauses made my case that much stronger.

I continued to press for an answer, accusing Gousev directly of evasion. He finally reluctantly indicated Soviet position on withdrawal same as other deputies, and article was referred to military committee for drafting. Deputies also agreed refer without discussion prisoner of war article to same committee. Deputies meet next on February 11 to hear report of political committee. Considering that conference has now run four weeks, I consider progress far from satisfactory. Arguments today typical of Soviet tactics engaging in lengthy discussions of issues not directly contributing to agreement or compromise. Gousev consumes too much time criticizing proposals other powers and offers little by way of constructive effort or alternate proposals. Main issues to date are demilitarization, denazification, displaced persons, war

²⁵ Not printed, but see footnote 23, p. 127.

criminals, and guarantees of Austria's independence and territorial integrity. Referral some of these questions to ACA, proposed by Gousev, merely results in unagreed report from Vienna, delays solution problem here and provides Soviet opportunity for repeating familiar propaganda. Progress in military and economic committees extremely slow, with time consuming arguments over single sentences and sometimes words. Agreement by Soviets on clauses similar those in satellite treaties generally forthcoming, but they usually noncommittal on clauses designed especially to cover Austrian problems.

Dept pass to War Department for information.

[CLARK]

740.00119 Council/2-1047: Telegram

The Secretary of State to the United States Deputy for Austria at the Council of Foreign Ministers in London (Clark)

SECRET

WASHINGTON, February 10, 1947—9 p.m.

679. Secdel 1291 for Clark. In view of the shortness of time remaining before the Feb. 25 deadline and the present rate of progress, we should appreciate your present estimate of how far along the deputies will be in their consideration of the Austrian treaty by that time. If in your opinion you will have reached the limit of possible agreement by the deputies on all sections of the treaty, leaving only major points of dispute for decision by the CFM at Moscow, no change in the deadline would seem to be required. On the other hand, if you feel that shortness of time will prevent serious consideration of many treaty provisions, particularly in the economic clauses, prior to Feb. 25, it might be desirable to suggest that the deputies continue their work beyond that date and even during the early days of the Moscow meeting. This would seem feasible, since presumably German questions will be taken up first at Moscow.

Have you any suggestions?

We are well aware of the great difficulties you face and of the progress you are making in spite of them. We do not wish to imply by the foregoing that any effort to speed up conclusion of the treaty should be made at the expense of matters of substance which we consider important. It would be better to leave important issues open for decision by the Foreign Ministers or even to postpone a treaty than to accept one which will not assure Austria her basic independence and sovereignty and a good chance of economic survival.

MARSHALL

740.00119 Council/2-1247 : Telegram

The United States Deputy for Austria at the Council of Foreign Ministers (Clark) to the Secretary of State

SECRET

LONDON, February 12, 1947—noon.

946. Delsec 1220 from Clark. Reference your Secdel 1291.²⁶ I estimate that by February 25 the deputies will have reached all possible agreement and completed discussion on the preamble, political clauses, military clauses, withdrawal of troops, heads of mission, general economic provisions, claims, judgments and disputes, and final clauses. A considerable degree of agreement will have been reached on these parts of the treaty, leaving only major points already reported or which will be reported to you for decision by the CFM. We have agreed to discuss German property early next week and the British and our positions will be in general agreement. It is difficult to tell what the results of this discussion will be for this is a major issue with the Soviets. Practically all other economic clauses will have been discussed at length in the economic sub-committee and before the deputies. The so-called "boiler plate" clauses taken from the satellite treaties will have been agreed to. There will be major differences of opinion with regard to United Nations' property in Austria, Austrian property in United Nations' countries, and restitution, the principal points of difficulty having to do with the condition in which such property is returned.

I do not recommend continuing our work here in London beyond the twenty-fifth for I am convinced that no worthwhile results will be obtained. However, I do feel that it will be desirable to start the Austrian deputies' work in Moscow at the beginning of that conference while German treaty discussions are in progress. There is some belief here, in which I concur, to the effect that any concessions to be secured from the Soviets will be more readily forthcoming in Moscow than here.

I am in complete agreement that in order to secure a treaty which will give Austria the barest chance of existence we must not sacrifice important principles. I am maintaining that position.

For your information, I have already discussed with my British and French colleagues the desirability of continuing our work here after February 25. Both share my opinion and feel that no important results will be obtained and we should adjourn at that time. Although I have not discussed it with Gousev, I feel that he would be most anxious to get back to Moscow and make a report of the various positions taken here by ourselves, the French and the British. I might summarize the Soviet position as follows: It is realized that Soviets normally move slowly in these matters, but in my opinion they have

²⁶ *Supra.*

sabotaged progress on the treaty from the outset. They have done it cleverly in order to avoid showing their hand. The subjects of great importance to them include German property, over-emphasis of lack of demilitarization and de-Nazification, the menace of large number of DP's including thousands of war criminals. They want a treaty which will sanction their interference in the internal affairs of Austria at any time under the guise of preventing pan-Germanic propaganda or other propaganda hostile to them, and through their retention of Austrian property which they claim to be German.

Pass to War Department for information.

Repeated Vienna 405.

[CLARK]

740.00119 Council/2-1547: Telegram

The United States Deputy for Austria at the Council of Foreign Ministers (Clark) to the Secretary of State

SECRET

LONDON, February 15, 1947—7 p. m.

1064. Delsec 1240 from Clark. At meeting Deputies for Austria February 14,²⁷ Dr. Jozef Vilfan presented written memorandum, which he summarized orally, containing Yugoslav rebuttal Austrian statements regarding: (1) Ethnical position in Carinthia, (2) 1920 plebiscite, (3) oppression of Yugoslavs in Austria, (4) political conditions in Carinthia after the war, and the 1945 elections, and (5) geographic and economic divisibility of Carinthia.

Yugoslav arguments substantially repetition those previously presented to deputies, with emphasis on poor treatment by Austria of Carinthian Slovenes, part played by Carinthians in war against Hitlerite Germany, and validity Yugoslav claims in view Yugoslav contribution to allied cause in two world wars.

Dr. Karl Gruber, representing Austria, answered main points Yugoslav rebuttal, drawing attention to 1920 plebiscite, to Yugoslav Premier's acceptance 1921 of results of this plebiscite, and to figures proving Slovene Carinthia voted overwhelmingly in 1945 elections for Austrian political parties favoring integrity Carinthia. He stated Austrian position based on these considerations and on fact that Carinthia, for important geographic and economic reasons, should not be divided along lines indicated by Yugoslav claim.

Replying to Gruber, Vilfan admitted he did not question fairness of 1920 plebiscite procedure but only insisted that Austrian actions

²⁷ This was the 21st Meeting of the Deputies for Austria. The Yugoslav statement presented at this meeting and the subsequent questions and answers were circulated to the Deputies as document C.F.M. (D) (47) (A) 74, February 17, 1947, not printed.

since plebiscite had altered its results. He referred especially to Germanization of Slovenes. Vilfan agreed Slovenes not under compulsion at time 1945 elections and that figures given by Gruber were correct. He stated that these election results were regarded by Carinthian Slovenes not as proof they lacked desire to be incorporated into Yugoslavia, as Gruber maintained, but as proof they preferred democracy, represented by three allied-sponsored Austrian political parties, to Naziism.

After Yugoslav delegation left room Dr. Gruber was questioned as to views his government on inclusion in treaty of clause requiring Austria to keep in force all laws "aimed at liquidation of the remnants of the Fascist regime" in Austria. Gruber replied that democratic Austrian people desired to complete democratization their country, that he had no objection whatsoever to a clause which would require Austria to observe the spirit of and continue to implement the laws in question in accordance with their principles, but that Austria should not be bound by the treaty to the letter of such laws. He pointed out that treaty for reestablishment of a democratic Austria should point the way for Austria but not prescribe in detail what measures Austria should take to follow this way.

Deputies meet tomorrow to discuss frontier clauses and, if there is time, additional political clauses.

Pass to War Department for information.

Repeated Vienna 49.

[CLARK]

740.00119 Council/2-1747 : Telegram

The United States Deputy for Austria at the Council of Foreign Ministers (Clark) to the Secretary of State

SECRET

LONDON, February 17, 1947—5 p.m.

1077. Delsec 1245 from Clark. Deputies for Austria on February 15 devoted entire session to discussion frontiers, the main issue being Yugoslav claim to part of Carinthia.²⁸ I opened discussion by stating that after hearing oral statements of Yugoslav and Austrian representatives and giving thorough consideration to all written memoranda and data submitted by both parties, US delegation had concluded that Yugoslav claim was not justified and should not be supported. For this reason US maintained position that frontiers should not be changed from those existing prior Anschluss. Paris, substituting for Couve, immediately agreed with me.

Gousev then went into long dissertation on great difference in roles played by Yugoslavia and Austria in the War, on Yugoslavia's important contribution to allied cause and to sacrifices and deprivations

²⁸ This was the 22nd Meeting of the Deputies for Austria.

suffered by Yugoslavs. He touched on ethnical problem only slightly, maintaining that diminution Slovene majority in Carinthia proved subjection to Germanization program. He did not mention economic and geographic considerations. Gousev then stated that Soviet Delegation believed Yugoslav claims based on just grounds and that Soviets supported these claims. He proposed referring all data to special committee for study and report to Deputies.

Hood then took same position as US and French, reciting historical facts re Carinthian problem and stating that though events since 1920 plebiscite justified consideration this problem now, British Govt, after careful study all aspects of the case, has concluded that Yugoslav claims not justified and that alterations 1937 frontiers would be great mistake. Starting point UK delegation was Moscow declaration, in view of which it would be disastrous at outset to reduce Austrian territory and thus cause Austrian people to lose confidence in sincerity of Allies in matter of establishing an independent and democratic Austria.

Hood and I both voiced opposition to Gousev's proposal to refer Carinthia problem to committee, on grounds that nothing further would be gained thereby. I stated it was obvious there was fundamental difference of opinion, that I assumed Deputies themselves had thoroughly studied the matter as I had, and that reference to committee would result only in another delay.

Gousev referred several times to a letter from British Government to Tito, May 12, 1945, in which Yugoslavs were asked to respect 1937 Austro-Yugoslav frontier as temporary frontier pending final settlement at Peace Conference.²⁹ He maintained Yugoslavs interpreted this as British intention to support their claim against Austria and withdraw their troops from disputed areas for this reason. Hood denied letter expressed or implied any promise of British support and pointed out that British policy always has been that final delineation of disputed frontiers should be settled by a treaty. In the interim, temporary delineation is necessary for administrative and control purposes.

Gousev obviously disappointed and perturbed by US and UK refusal to refer whole question to committee. My opinion is that he desired to keep subject under discussion for purposes of impressing Yugoslavs with Soviet interest in their demands, creating additional source of propaganda and withholding Soviet agreement with view to using it later as a bargaining point.

Final action was that US, UK and French Deputies agreed on clause: "The frontiers of Austria shall be those existing on January 1,

²⁹ On May 15, 1945, the American Ambassador in Yugoslavia addressed a note to Yugoslav Prime Minister Josip Broz Tito similar to the British communication of May 12, 1945, to Tito under reference here. For the text of the American note, see telegram 88, May 14, 1945, to Belgrade, *Foreign Relations, 1945*, vol. v, p. 1319.

1938". Report to CFM expected to include Soviet views as minority opinion.

Re United States article 8³⁰ concerning Austro-Italian agreement of September 5, 1946. Hood and Couve had no objection. Gousev did not commit himself. It was agreed to ascertain views Italian Government on inclusion this clause in Austrian treaty.³¹

Re US proposal concerning Berchtesgaden salient, Hood and Couve stated agreement but Gousev, inferring that this proposal was inconsistent with mission of preventing Austro-German union, said he could discuss matter only at time peace treaty with Germany. I then stated that we would leave article in draft reported to CFM, showing agreement by all but Soviets.³²

Pass to War Dept for information.

Sent Vienna as 50.

[CLARK]

CFM Files : Lot M-88 : Box 2163 : CFM (D) (47) (A) Documents

*Report by the Deputies for Austria to the Council of
Foreign Ministers*³³

SECRET

LONDON, February 25, 1947.

C.F.M.(D) (47) (A) 102

DRAFT TREATY FOR THE RE-ESTABLISHMENT OF AN INDEPENDENT AND
DEMOCRATIC AUSTRIA

1. The Deputies for Austria held meetings in London from January 14 to February 25, 1947, in accordance with the decision of the Council

³⁰ The article under reference here was included in the proposals of the United States Delegation for the political clauses of a draft Austrian peace treaty, circulated to the Deputies as document C.F.M. (D) (47) (A) 6, January 18, 1947, not printed. The proposed article would have taken note of the Austro-Italian agreement of September 5, 1946, regarding Bolzano.

³¹ At the 28th Meeting of the Deputies for Austria, February 24, 1947, the United States Delegation withdrew its proposal cited in the previous footnote in view of the negative reply returned by the Italian Government to the query addressed to it by the Deputies on this subject. The Italian communication, dated February 20, 1947, was circulated to the Deputies as document C.F.M. (D) (47) (A) 96, February 24, 1947, not printed.

³² The United States Delegation proposal referred to here called upon the signatories to an Austrian treaty to undertake to support inclusion in the settlement regarding Germany of provisions for freedom of transit and communication between Salzburg and Lofer (Tirol) across the Reichenhall-Steinpass. In the Draft Treaty for the Re-Establishment of an Independent and Democratic Austria, p. 516, this United States proposal was included as an unagreed provision for article 52, p. 557.

³³ This Report was approved by the Deputies for Austria at their 29th Meeting, February 25, 1947. This was the final meeting held in London.

With the exception of the paper cited in the next footnote, none of the documents cited in this report are printed.

of Foreign Ministers on December 13, 1946 (C.F.M. (46) (NY) 74) (Revised),³⁴ that the Deputies for Austria should:

a. proceed with the preparation of a Treaty recognising the independence of Austria, taking into consideration the proposals already submitted by the Governments of the United States and the United Kingdom, as well as any further proposals which may be submitted by any member of the Council of Foreign Ministers;

b. hear the views of the Governments of neighbouring Allied States, and of other Allied States which participated with their armed forces in the common struggle against Germany, which wish to present their views on the Austrian problem; and

c. submit proposals on the above matters to the Council of Foreign Ministers by February 25, 1947.

2. The Deputies for Austria, during the period of their meetings in London, received written statements of views from the following Allied Governments reproduced in the following C.F.M. documents:

Belgium	C.F.M. (D) (47) (A)	19
Denmark	" " " "	69
Greece	" " " "	25
Netherlands	" " " "	24
Poland	" " " "	11
Yugoslavia	" " " "	9, 10, 73

They also heard oral statements from the representatives of the following Allied Governments reproduced in the following C.F.M. documents:

Australia	C.F.M. (D) (47) (A)	18
Czechoslovakia	" " " "	21
Greece	" " " "	17
New Zealand	" " " "	44
Poland	" " " "	27
Ukrainian S.S.R.	" " " "	45
Union of South Africa	" " " "	15
Yugoslavia	" " " "	12, 74, 75

They also received statements both written and oral, from the Austrian Government, reproduced in the following C.F.M. documents:

C.F.M. (D) (47) (A)	23
" " " "	54
" " " "	65
" " " "	74

3. After examination of all the views referred to in paragraphs 2 and 3 above, the Deputies for Austria prepared a draft Treaty for the Re-establishment of an Independent and Democratic Austria, which is submitted herewith³⁵ for the consideration of the Ministers.

³⁴ See *Foreign Relations*, 1946, vol. II, p. 1557.

³⁵ The preliminary text of the draft Austrian treaty under reference was not considered by the Council of Foreign Ministers and is not printed here. For the later text of the draft treaty as discussed by the Council at its Moscow Session, see document CFM (47) (M) 82, March 29, 1947, p. 516.

In this draft

(a) the following Articles and Annexes were agreed:

- Article 1—Re-establishment of Austria as a Free and Independent State
- Article 7—Human Rights
- Article 8—Democratic Institutions
- Article 12—Recognition of Peace Treaties
- Article 13—Liquidation of League of Nations
- Article 14—Bilateral Treaties
- Article 15—Restoration of Archives
- Article 19—Prohibition of Military Training
- Article 25—Prohibition of Manufacture of Excess War Material
- Article 28—Prohibition of German and Japanese Civil Aircraft
- Article 30—Duration of Limitations
- Article 50—Settlement of Disputes
- Article 56—Heads of Mission
- Article 57—Interpretation of the Treaty
- Annex I
- Annex II

(b) the following were partially agreed:

- Preamble
- Article 3—Recognition by Germany of Austria's Independence
- Article 4—Prohibition of Anschluss
- Article 9—Dissolution of [Nazi] and [Fascist]³⁶ Organisations
- Article 10—Special Clauses on Legislation
- Article 17—Limitation of Austrian Armed Forces
- Article 18—Prohibition against Former Members of Nazi and Fascist Organisations Serving in the Armed Forces
- Article 21—Prohibition of Special Weapons
- Article 26—Disposal of War Material of Allied and German Origin
- Article 27—Prevention of German Rearmament
- Article 31—Prisoners of War
- Article 33—Withdrawal of Allied Forces
- Article 36—Restitution by Austria
- Article 49—General Economic Relations
- Article 55—Clauses relating to the Danube
- Article 58—Accession Clause
- Article 59—Ratification of the Treaty
- Annex V

(c) the following were discussed but no agreement was reached:

- Article 2—Preservation of Independence
- Article 5—Austrian Frontiers
- Article 6—Naturalisation and Residence of Germans in Austria
- Article 11—War Criminals
- Article 20—Publication of Military Budget and Strength of the Armed Forces

³⁶ Brackets appear in the original.

- Article 35—German Assets in Austria
- Article 37—Restitution to Austria of property removed to United Nations Territory
- Article 42—United Nations Property in Austria
- Article 43—Application of Austrian Law to United Nations property, rights and interests in Austria
- Article 44—Property, Rights and Interests of Minority Groups in Austria.

(d) the following were not discussed :

- Article 16—Displaced Persons
- Article 22—Prohibition of research in certain processes
- Article 23—Prohibition of certain manufactures and experiments
- Article 24—Reduction of the Military-Economic Potential of Austria
- Article 29—Prohibition of Excess Stocks of Certain Raw Materials and Metals
- Article 32—Commission of Military Experts
- Article 34—Reparations
- Article 38—Restitution to Austria by Germany
- Article 39—Renunciation by Austria of Claims against the Allies
- Article 40—Renunciation by Austria of Claims against Germany
- Article 41—German Claims against Austria
- Article 45—Austrian Property in United Nations Territory
- Article 46—Austrian Property in Germany
- Article 47—Definition of Austrian Property, Rights and Interests
- Article 48—Debts
- Article 51—Patents
- Article 52—Transit Facilities
- Article 53—Scope of Application
- Article 54—Force of Annexes
- Annex III
- Annex IV

4. The Deputies for Austria recommend resuming their meetings on this draft in Moscow on March 10, 1947, concurrently with the meetings of the Ministers.

5. The Deputies received a letter of February 13, 1947 from the Czechoslovak Delegation asking whether the submission of a further statement by Czechoslovakia would be precluded if not presented before February 25. The Deputies replied that there would be no objection to the submission of such a further statement to the Council of Foreign Ministers after that date.

6. A letter of February 21, 1947 was also received from the head of the Austrian Delegation requesting, on behalf of the Austrian Government, that representatives of the latter be present in Moscow during the conference to be held there beginning March 10. A similar letter was received from the Yugoslav Delegation. The Deputies considered this letter and decided to refer it to the Ministers for their decision.

Note by the Secretary-General

With regard to the enumeration given in paragraph 2 above, it should be noted that references to Austria were also made by the following Allied Governments in memoranda submitted to the Deputies for Germany:—

Australia	C.F.M. (D) (47) (G)	5
Brazil	“ “	12, 20
Canada	“ “	6
Union of South Africa	“ “	7

In every case except that of the second Brazilian communication the observations submitted referred to the question of procedure.

II. THE FOURTH SESSION OF THE COUNCIL OF FOREIGN MINISTERS, MOSCOW, MARCH 10-APRIL 24, 1947

A. PREPARATIONS FOR THE SESSION; SUBSTANTIVE PRE-CONFERENCE PAPERS AND DISCUSSIONS

761.62/1-747 : Telegram

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

SECRET

Moscow, January 7, 1947—9 a.m.

33. At this juncture on eve of Deputies meeting in London it may be helpful for me to report my impressions of Soviet intentions with respect to Germany as seen from Moscow.

1. Germany has always loomed large in Communist ideologic and practical plans. Lenin considered it to be European country best suited for development of Communism as well as the "principal link in the chain of revolutions". Stalin has carried on this belief, and authoritative party pundits were not dissuaded even by advent of Nazism from their conviction that proletariat of Germany carried key to proletarian revolution of all of Europe. Absence of overt affirmation of this doctrine today would seem to accord with more sophisticated and subtle line of "non-revolutionary" official pronouncements and propaganda coupled with "dissolution" of Comintern in 1943, but evidence is lacking on which to base assertion that it reflects any actual change in belief. Such evidence as we have of secret CP directives is in fact quite contrary; it must be remembered that war has provided a degree of political and economic collapse in Germany more favorable to Communist purposes than Kremlin could possibly have hoped for.

2. From practical viewpoint, Germany represents greatest potential threat or most potent potential associate to Soviet Union. There are signs that dream of happy union between Soviet resources and manpower and German technical skill and administrative ability is again hovering about pillows of Soviet leaders. However, war has left Russia with deep awareness of realities of German aggression. A determination to preclude resurgence of a strong and independent and therefore possibly hostile Germany, is surely major strategic preoccupation of Soviet policy.

3. These two objectives, one ideological, other practical, complement and support each other. Their complete implementation, in light

of Soviet experience, can only be assured through ultimate domination, through definitive inclusion of Germany in Soviet sphere.

4. This extension of Soviet control over Germany is in fact already partially effected. East Prussia and Silesia are well behind Soviet lines and at rate of Sovietization maintained during first 18 months in its zone, job in Eastern Germany will be completed well before termination of period occupation. Be it of only ten years duration, Soviet bridgehead in Germany will be consolidated. With withdrawal of armies of occupation outcome of struggle for predominance of two systems will determine future character of German state. The viability demonstrated by zones of west at that time will depend on one hand on state of French Communism and degree to which Soviet Union has succeeded in maintaining its present control over central Europe and Balkans, and on other, on measure of attractiveness flowing from such real social, political and economic progress as will have been accomplished in interim.

5. Briefly then Soviet approach to Germany is based on two elements of (1) maintaining and if possible increasing position of control already achieved in Eastern Germany and (2) endeavoring to assure necessary conditions in western zones most favorable to development of Communist Party and least favorable to development of western orientation. First element is served by high degree of isolation in which Soviet zone is kept and will be kept as long as it is in Soviet power to do so. Current experience in Austria should be proof enough of Soviet ability to neutralize effectiveness of a central government in similar circumstances, and it must be assumed that Kremlin will endeavor to bring about similar situation in Germany following establishment of central administration there unless in meantime is felt it was gaining sufficient control of entire country as to render such tactics unnecessary.

Central administration will no doubt be sought by Russians, but its purpose will be to restrain rehabilitation of western zone and preclude development of federalism which [to?] Kremlin is an acceptable form of government only when bound by rigid framework of its own authoritative one-party machine. In this respect, I realize now French fears of centralization were not entirely unfounded. Russians will claim all privileges of Anglo-American concept of democracy in western zones, since it is most favorable climate for growth of their organizations above and below ground, while suppressing these privileges in their own. Similarly, they will publicly demand decree [degree?] of denazification in west they have no intention of applying in east, purpose of which is simply elimination of all progressive and democratic leaders and elements who are not prepared to accept Soviet point of view and proletarianization of western zones. Finally,

it may be recalled that preview of their political intentions as presented in SED draft constitution was highly revealing in light of Soviet constitutional practice here and elsewhere in Soviet sphere.

6. Reparations will play a large role on Soviet demands, both to meet very great economic need here and to retard as far as possible renaissance of healthy economy in western zones. Question of Ruhr has similar dual significance of high import. Yet, great as is importance of economic side of German question, we believe that having once gotten its teeth into Germany, Kremlin, as it has always done in past, will, if possible, give precedence to power—political and ideological considerations. It is conceivable that they may make well-timed minor concessions of an economic nature which at first glance might be interpreted as indicating change of basic political policy, by considering stakes involved it is hardly admissible that they should diverge from basic line of operation which offers as reward for its successful prosecution eventual control of continental Europe.

7. Moscow and foreign Communist line reaction to economic unification of US and British zones in Germany has been extreme. This unification has been presented, with all anti-Soviet implications such line of argumentation can produce, as direct violation of Potsdam agreement designed to promote federalism and facilitate infiltration of monopoly capital into western Germany and thus destroy economic and political unity of country. It is to be expected that following its old practice of loudly charging its opponents with commission of very sins it is in process of committing itself, Kremlin will continue to use Potsdam against west and in support of its own objectives. It will blame us for attempting to split Germany in two, whereas in reality, growing separation of that country is an inescapable result of Soviet totalitarian economic and political treatment of its own zone.

8. Issue then is Germany and with it future of Europe. It seems inevitable to me that we must be prepared if necessary to accept further separation of eastern and western zones of Germany rather than hollow unification which in fact but opens door to accomplishment of Soviet purpose in Germany as whole. For us there can be but one policy; we must promote and support in word and deed all truly democratic and progressive forces in our zone and at same time we must defend them from infiltration and subversion by totalitarian machinations from east. I use words "support" and "defend" in active sense, as distinguished from moral support and defense we have so far provided.

9. For all these reasons impending CFM meeting as seen from here promises to afford long and tedious struggle. Russians will be at home and patience for them will be an easy virtue. Issues are such that we must be prepared to sit them out, and I hope it will be possible for

our delegation to come to Moscow resigned to indefinite prolongation of deliberations and prepared to carry on at deputy level, in event of recess necessitated by your being in Washington, or because course of negotiations should so dictate.

Dept please repeat to Berlin as Moscow's 4, to Paris as 2. Moscow passes to London for Delsec as 3.

SMITH

862.014/1-1347

*The Ambassador in Poland (Lane) to the Secretary of State*¹

PERSONAL AND SECRET

WARSAW, January 13, 1947.

MY DEAR GENERAL MARSHALL: Please accept my heartiest congratulations on your appointment as Secretary of State.² I recall the pleasure of having met you on the occasion of my appointment as Ambassador to Colombia in 1942. I wish to assure you of how happy I am to serve under you.

As you may know, we are making studies here in conjunction with Ambassador Murphy's Mission in Berlin regarding the former German territories now under Polish administration. We expect to submit our comprehensive report on this subject by despatch the end of this month or at the latest by the middle of February, so that you and Ambassador Murphy may be fully advised regarding conditions in those territories today as compared with the situation under German administration, before you go to the Moscow meeting.

¹ This letter was received on January 24, 1947. In a memorandum of January 25 to Secretary of State Marshall, not printed, Under Secretary of State Acheson commented upon Ambassador Lane's letter in part as follows:

"Ambassador Lane states strongly that former German territories now under Polish administration should not be returned to Germany. I do not think that anyone has made this proposal. The proposal under consideration is that some of these territories to the south might be returned to Germany because otherwise Germany will not have enough agricultural production to exist and because from an economic point of view these agricultural lands are not essential to Poland. As I understand it that is a matter which is now under consideration.

"Ambassador Lane's chief argument is that to return any of these lands to Germany would alienate the Polish people and drive them into the arms of Russia. A similar argument has been made on almost every conceivable subject and in regard to almost every country of Europe, the Near East, the Far East and South America. The effect of any proposal on the people of a particular country is a factor to be weighed with others but I think that the matter is somewhat more complicated than Ambassador Lane's letter suggests." (862.014/1-2547)

² James F. Byrnes submitted his resignation as Secretary of State on January 7, 1947. On January 8 the President nominated George C. Marshall to become Secretary of State, and the Senate confirmed the nomination the same day. Marshall took the oath of office of Secretary on January 21, 1947.

During my recent trip to the United States I spoke to Mr. Byrnes and his principal advisers in New York,³ expressing the hope that we would make no recommendations regarding the Polish-German frontier until subsequent to the Polish elections, which are scheduled to take place on January 19.⁴ Mr. Byrnes' Stuttgart speech of September 6, 1946⁵ was very badly received here because of the Polish Government press having distorted it. Both the Government in its conversations with me and the government-controlled press indicated that Mr. Byrnes had recommended that the new territory under Polish administration should be returned to Germany, although Mr. Byrnes merely said that we should adhere to the terms of the Potsdam decision, which provided that a final disposition of the territory should be left to the Peace Conference for settlement.

I understand the speech was made for the purpose of smoking out Molotov's attitude prior to the holding of the elections in Germany and for that reason was entirely understandable and logical. It was of course unavoidable but unfortunate, insofar as Poland was concerned, that the speech was made shortly before the meeting of the National Council of the Homeland. Occasion was taken during this meeting of attacking the United States as well as Vice Premier Mikolajczyk, leader of the Polish Peasant Party, on the ground that the latter agreed with Mr. Byrnes and was accordingly a traitor to his country. Mr. Mikolajczyk told me that although he fully appreciated the long-range policy of Mr. Byrnes, in view of the Soviet intention to return the western territories to Germany, he personally was for the time being injured politically by the distortion of Mr. Byrnes' remarks.

I personally feel very strongly that we should not recommend at the Peace Conference that the western Polish territories should be returned to Germany. I may add that the British Ambassador⁶ agrees with me and has so recommended to his Government (see my telegram

³ Ambassador Lane's conversations with American officials during his trip to the United States in November 1946 are described in Arthur Bliss Lane, *I Saw Poland Betrayed: An American Ambassador Reports to the American People* (New York, Indianapolis, The Bobbs-Merrill Company, 1948), pp. 271-275.

⁴ For documentation on the interest of the United States in the Polish national elections of January 19, 1947, see volume iv.

⁵ The reference here is to the address by Secretary of State James Byrnes on United States policy towards Germany, made at Stuttgart, Germany, September 6, 1946; for the text, see Department of State *Bulletin*, September 15, 1946, p. 496, and *Germany 1947-1949: The Story in Documents*, Department of State Publication 3556 (Washington, Government Printing Office, 1950), p. 3.

⁶ Victor Cavendish-Bentinck.

no. 20 of January 7⁷). Briefly, my reasons for so recommending are the following:

1. The decision of the three major powers at the Potsdam Conference to permit the Polish Government to deport the German population from former German territory now under Polish administration indicated to the Polish Government that the territory in question would not be returned to Germany. The Polish people in general interpreted the movement of the German population in this sense, and I may add that I, as well as the majority of my diplomatic colleagues here, had the same impression. Our Government even went so far as to request that consular offices should be established at Wroclaw (Breslau) and Szczecin (Stettin). Any recommendation to the contrary would be interpreted by the Polish people as reversal of our former point of view. I am not concerned with the attitude of the Polish Government, which has assumed a hostile position, insofar as the United States is concerned, for the past year and a half, but I do feel that it is most important for us to bear in mind the effect on the Polish people.

2. The Yalta decision provided that Poland should be compensated for the loss of the territory east of the Curzon Line⁸ by the cession of German territory to the north and to the west. My personal opinion is that the Polish people would prefer to have retained the territory east of the Curzon Line, not only because of the oil fields in the Lwow region and for the timberlands which were always a great source of prosperity to Poland, but also because of the sentimental desire to have Lwow and Wilno within Polish territory.

3. I do not believe the Polish people would ever be able to understand why Germany, which ravaged Poland and deliberately destroyed Warsaw house by house, should be the gainer of territory at Poland's expense. I believe that by making such a recommendation we would alienate the Polish people and would force them further under Communist influence. As I believe that the Soviet Government will now recommend that the western territory should remain under Polish sovereignty, the Polish people might at long last reluctantly believe that the Soviet Government is the only government of the three major powers which is friendly to Poland.

4. To my mind, the most forcible argument is a very practical one. Supposing the British and ourselves decided to recommend that the western territories should return to Germany—how could such a recommendation be effected, if the Soviet Government should take the opposite stand? Certainly we are not going to war over these terri-

⁷ Not printed.

⁸ For the origin and a description of the Curzon Line, see *Foreign Relations, The Paris Peace Conference, 1919*, vol. XIII, pp. 793-794. See also *Foreign Relations, 1944*, vol. III, p. 1220, footnote 15.

ories and without the use of force there is nothing which could induce the Soviet Government and the Polish Government to relinquish that territory once they have made the decision in the matter. I recall after the first war the Council of Ambassadors in Paris told the Poles to leave Eastern Galicia. They refused to do so and did not do so until the joint German-Soviet occupation of Poland in 1939. I therefore feel that any recommendation we should make would be an empty one and would merely serve to kindle hatred on the part of the Polish people and to turn them more than ever to the east. As I feel that this would be a departure from our basic policy in Eastern Europe, I earnestly trust that you will give my views your most serious consideration.

Because of the seriousness of this problem, I trust that it will be possible for me to consult with you prior to your going to the Moscow Conference. As I have just been to Washington on consultation, I think it would be inadvisable for me to make another trip home at this time, unless you so desire. But if convenient to you, I should like to be instructed to meet you at some place in Europe or, if you think it advisable, to be called to Moscow at the time of the Conference.

With the expression of my deep respect, believe me

Very sincerely yours,

ARTHUR BLISS LANE

740.00119 Council/1-1547

*The Chinese Foreign Minister (Wang) to the Secretary of State*⁹

[NANKING, January 14, 1947.]

With reference to the meeting in London of the Deputies of the Foreign Ministers of the United States of America, the Union of Soviet Socialist Republics, the United Kingdom and France and the forthcoming meeting of the four Foreign Ministers in Moscow on the peace settlements for Germany and Austria, the Chinese Government, in consistence with its previous declarations, wishes to invite the attention of the Government of the United States to the following observations:

In accordance with the terms of the Potsdam Agreement of August 2, 1945, which charges the Council of the Foreign Ministers, representing the five Principal Powers, with the task of continuing the necessary preparation for the peace settlements, it is the understanding of the Chinese Government that although the work of drafting a peace treaty with each of the six European enemy states, namely, Italy, Roumania, Bulgaria, Hungary, Finland and Germany, is en-

⁹ This message was transmitted to the Secretary of State by the Chinese Ambassador in Washington, V. K. Wellington Koo, in a note dated January 15, 1947, not printed.

trusted to those members of the Council whose governments were signatory to the terms of surrender imposed upon the enemy state concerned, there should be prior consultation and agreement among all the five members of the Council of Foreign Ministers on matters concerning the convocation of the Peace Conference to which the draft treaty will be submitted. Such prior consultation and agreement is particularly necessary in the case of a peace settlement for Austria, for neither the draft of such a Peace Treaty nor in that connection the convocation of a Peace Conference is referred to in the Potsdam Declaration. Accordingly, the Chinese Government urges that the members of the Council of Foreign Ministers agree to the following: (A) There shall be a conference of the members concerned of the United Nations on peace settlements for Germany and Austria. (B) The conference shall be convoked in the name of the full Council of Foreign Ministers, with the Five-Powers represented thereon as sponsoring powers. (C) All procedural matters in connection with the convocation of the conference, such as the countries to be invited and the time and place of the conference, shall be subject to prior consultation and agreement among the five members of the Council.

As to China's views concerning the substantive issues on the subject of peace settlements for Germany and Austria, the Chinese Government reserves the right to present them after the general procedure for the convocation of the peace conference has been agreed upon by the Council of Foreign Ministers as suggested above. When such agreement obtains, the Chinese Government will not insist upon participating in the work of drafting the peace treaty with either Germany or Austria. Lastly, it is understood that the competency of the forthcoming meeting of the Foreign Ministers of the United States of America, the Union of Social [*Soviet*] Socialist Republics, the United Kingdom and France shall be confined to questions connected with the drafting of peace treaties with Germany and Austria. Any departure from this scope must be a matter for prior consultation and agreement among all the members of the Council of Foreign Ministers.

Identical notes are being sent to the Foreign Ministers of the United Kingdom, the Union of the Social [*Soviet*] Socialist Republics and France.

[WANG SHIH-CHIEH]

740.00119 EW/1-3047 : Telegram

The Chargé in Czechoslovakia (Bruins) to the Secretary of State

SECRET

PRAHA, January 30, 1947—3 p. m.

95. British Embassy Praha is suggesting to London Foreign Office that there would be advantage to British in taking favorable attitude toward Czechoslovak territorial claims against Germany as presented to Foreign Ministers Deputies in London (see Embassy's despatch 1727 Jan 15¹⁰). It has also suggested that at an appropriate time Bevin might make public statement sympathetic to Czechoslovak aims. Theory behind Embassy's recommendation is following:

Czechoslovak claims are insignificant from strategic point of view and involve territory inhabited by only 25,000 Germans. German rancor against Czechoslovakia is already so great that long term attitude will not be measurably affected by this small additional loss of territory. On other hand position of Czechoslovak moderate parties would be strengthened by support from west for claims against Germany presented to Big Four. This is particularly true since through initiative of Communist Party claims against German territory under Polish administration were not presented to Foreign Ministers Deputies and it seems likely that these claims will not be satisfied. Thus moderate parties would be able to demonstrate greater advantage to Czechoslovakia from placing claims before Big Four than from leaving them to disposition of Soviet and Soviet satellites.

While it is true that moderate parties here are constantly seeking support from west, this Embassy has long been of opinion that it would not be desirable for US and Britain to attempt to compete with Soviets in conferring territorial favors in this part of Europe. Recent conversations with members of Czechoslovak Foreign Office indicate that Czechoslovak Government is not optimistic that their territorial claims against Germany will be satisfied nor hopeful that, if satisfied, they would contribute materially to Czechoslovak security. In view of plans for coordination of Czechoslovak and Soviet armies approval of Czechoslovak claims for additional territory would give Soviet Army a foothold on German side of watershed.

I regard it important that if Czechoslovak claims are rejected this be done in such way that onus will not fall on western powers since Communists in Czechoslovakia will doubtless try to blame west for any setbacks.

Sent Dept as 95 ; repeated to London for Murphy as 6.

BRUINS

¹⁰ The despatch under reference is not printed. For summaries of the views of the Czechoslovak Government on the principal aspects of the German problem, including possible frontier rectifications, see the Report by the Deputies for Germany to the Council of Foreign Ministers, February 25, 1947, pp. 40, 46-47.

740.00119 EW/2-247

*The Minister for Foreign Affairs of the Soviet Union (Molotov)
to the Secretary of State*¹¹

[Translation]

Moscow, January 30, 1947.

On January 16 of this year I received a letter from the Minister of Foreign Affairs of China, Mr. Wang Shih-chieh in which is set forth the point of view of the Chinese Government on questions of procedure in connection with the peace settlement for Germany and Austria. It is understood that you received a similar letter.

As will be seen from the attached draft of my reply, the Soviet Government does not consider it possible to agree with the point of view set forth in the cited letter from Mr. Wang Shih-chieh since this point of view does not correspond to the decision of the Berlin Conference. Before sending my reply, I consider it necessary to ascertain the viewpoint of the members of the Council of Foreign Ministers concerning this question.

I would be grateful to you if you would be so kind as to inform me if you agree with the basic theses of my attached reply to Mr. Wang Shih-chieh or if you have any observations.¹²

At the same time, I am sending a similar message to Mr. Bevin and Mr. Bidault.

[Enclosure]

*The Minister for Foreign Affairs of the Soviet Union (Molotov)
to the Chinese Foreign Minister (Wang)*

[Translation]

In reply to your communication, received in Moscow on January 16 of this year, with regard to the procedure in connection with the peace settlement for Germany, I consider it necessary again to set forth the position of the Soviet Government concerning this question.

In the Berlin decisions, particularly in the section concerning the establishment of the Council of Foreign Ministers,¹³ are contained provisions relating to the order of preparation of the peace settlement

¹¹ This message was transmitted to the Secretary of State by the Soviet Chargé in Washington on February 2, 1947.

¹² The Secretary of State replied to this message by sending to Foreign Minister Molotov the text of the Secretary's message of February 5 to Chinese Foreign Minister Wang, p. 153. The Secretary's reply to Molotov was contained in a note of February 5 to the Soviet Chargé, not printed (740.00119 EW/2-247).

¹³ See Section II of the Report on the Tripartite Conference of Berlin, August 2, 1945, *Foreign Relations*, The Conference of Berlin (The Potsdam Conference), 1945, vol. II, pp. 1500-1501.

for Germany. From these decisions it is clear that, for the solution of this problem, the Council will be composed of members representing those States which signed the conditions of the capitulation dictated to Germany.

In regard to the convocation of the Conference for the consideration of the draft peace treaty with Germany, clause "B", article 3 of the section concerning "the establishment of the Council of Foreign Ministers" leaves no doubt that the convocation of the said Conference must be made by the Council of Ministers composed of those who signed the conditions of the capitulation with the given enemy State. It appears to be self-evident that this clause embraces such questions as the determination of the participants in the forthcoming Peace Conference concerning Germany as well as the determination of the procedure for invitations to this Conference. It is also necessary to state that the Government of a country not participating in the preparation of the peace treaty would find itself in a difficult situation with regard to the determination of questions relating to the convocation of the Peace Conference, in as much as the date and other questions of the convocation of such Conference are indissolubly linked with the termination of the preparation for the peace settlement.

With regard to the preparation of the treaty with Austria the Council of Foreign Ministers, meeting in New York, acted, as is entirely natural, in a manner similar to the preparation of the other treaties.

As regards the agenda of the forthcoming session of the Council of Foreign Ministers in Moscow, it was determined by the Council on December 12, 1946 in the form in which it was published in the press.

760C.6215/1-3147

The British Embassy to the Department of State

MEMORANDUM

SECRET

The question of the Polish-German frontier is one of the major problems which will fall to be settled at the forthcoming meeting of the Council of Foreign Ministers in Moscow. His Majesty's Government in seeking to determine their attitude before this problem have reluctantly come to the tentative conclusion that there is no practical alternative to accept as final the existing provisional Polish-German frontier. They are not, however, finally committed on this question.

2. Mr. Byrnes' speech at Stuttgart and recent broadcasts on the network of the United States forces in Germany have suggested that

the United States Government may wish to secure a revision of the frontier line in favour of Germany. His Majesty's Government would be grateful to learn whether this is in fact the intention of the United States Government and, if so, to know on what grounds the United States Government would propose to present the case.

WASHINGTON, January 31, 1947.

740.00119 EW/1-3147

*The Lithuanian Minister (Zadeikis) to the Secretary of State*¹⁴

No. 164

WASHINGTON, January 31, 1947.

SIR: On March 10, 1947, the Foreign Ministers of the United States of America, Great Britain, France, and U.S.S.R. will meet in Moscow to discuss the Peace Settlement with Germany. To prepare the ground for these discussions preliminary deliberations of the Deputies of the said Ministers have already begun in London. In connection with this I have the honor to bring to your attention the following:

(1) Eventual settlement of the eastern frontiers of Germany must necessarily interest and affect Lithuania, regardless of her neutrality, as a State having a common pre-war frontier with Germany;

(2) The Potsdam Agreement proposed to cede to the U.S.S.R. the city of Königsberg and the northeastern corner of East Prussia situated, approximately, between the Baltic Sea and the Lithuanian frontier—a territory which for centuries was inhabited by the Lithuanian race and which, in spite of colonization by Germans in recent times, still retains its Lithuanian character. This decision, if carried out, would gravely affect the entire future of Lithuania: the Lithuanian nation, thus surrounded by Soviet Russia, would be condemned to isolation and extinction;

(3) As a result of German aggression, Lithuania was deprived of her possession of the Memel Territory, including the Port of Klaipėda (Memel), in 1939, which legally, economically, and ethnographically was an integral part of Lithuania;

(4) During the last war Lithuania was under German occupation for over three years and, as a result, sustained very grave losses.

It will be seen from the above that Lithuania has a vital interest in the final settlement of the eastern frontiers of Germany and is also

¹⁴ This note was acknowledged by Under Secretary of State Acheson on February 5, 1947.

In the course of a conversation with Llewellyn E. Thompson, Chief of the Division of Eastern European Affairs, on February 11, 1947, Minister Zadeikis stated that he would like to call on the Secretary of State prior to his departure for the Moscow Conference of Foreign Ministers. According to his memorandum of the conversation, not printed, Thompson responded as follows:

"I told the Minister that in my personal opinion it would be unwise to attempt to see the Secretary at this time since the gesture to which he referred would probably provoke a counter gesture from the Soviet Government, possibly in connection with the Moscow Conference, and I was sure the Minister would agree that it would be desirable to avoid this if possible." (711.60M/2-1147)

entitled to claim just compensation for the losses resulting from Germany's aggression and occupation.

Owing, however, to the fact that Lithuania was forcibly occupied by the Union of Soviet Socialist Republics and still continues to be under foreign domination, there is no possibility for the lawful National Government to exercise its functions on the territory of Lithuania at the present time.

Although the Government of the Soviet Union repeatedly attempted to speak, or act, on behalf of Lithuania and to represent her at international conferences, either directly or through the puppet administration, the Lithuanian people will never recognize their right to do so. Such a prerogative rests solely with the lawful representatives of the Republic of Lithuania.

In this connection it should be emphasized that the Lithuanian people repose their confidence in the Western Democracies, who, true to their sense of fairness and justice, have refused to recognize the situation created by Soviet aggression against the Lithuanian people. The Lithuanian people are, therefore, confident that the Government of the United States will continue in this attitude during the present meeting in London, and later in Moscow, or at any subsequent international conferences, and will not agree to the Soviet Union's claims to Lithuanian territory, or accept her assumed right to speak or act on behalf of the Lithuanian people, or be a party to any act prejudicial to the sovereignty rights and other vital interests of Lithuania.

In these circumstances I deem it my duty to reserve formally, in the name of the Lithuanian people and their legitimate Government, all their rights and claims in connection with forthcoming settlement of the German problem, and I hope that lawful representatives of the Lithuanian people will be accorded an opportunity in due course properly to present their just claims and to defend the legitimate interests of their country.

Accept [etc.]

P[OVILAS] ZADEIKIS

760C.6215/2-347 : Telegram

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

TOP SECRET

Moscow, February 3, 1947—4 p. m.

273. Visit Polish Vice Premier to London re Polish-German frontier (infotel January 30¹⁵). I know Cavendish-Bentinck is strongly

¹⁵ Not printed. It reported that Polish Vice President Grabski was visiting London in order to present to the British Government the Polish views with respect to the Polish-German frontier (800.00 Summaries/1-3047).

opposed to UK sponsoring any recommendation that the Western Territories be returned to Germany. Believe that Lane likewise shares this opinion. Ordinarily would defer to judgment of these experienced diplomats on the spot, but in this case I take the opposite view for following reasons.

Question at issue is Germany versus Poland. Their relative importance was stated clearly in lecture given here January 28 by academician Tarle, who said, "we now face the problem of Germany, beside which every other problem is of insignificant importance."

As stated in my 33 of January 7,¹⁶ "Soviet approach to Germany is based on maintaining position of control already achieved in Eastern section and extending this control to the West." The agency by which it is hoped this aim will be accomplished is Communist Party in Germany.

Last week for instance, Communist controlled Socialist Unity Party passed series of resolutions attacking administration of Western Zones "where every form of reaction flourishes," and stated, "since it depends on the Germans themselves what course and aims are pursued, there must be cooperation between the Social Democrats and Communists in Western Zones". These tactics are standard operating procedure, results of which have been seen in all satellite countries. They can be met only by encouraging German non-Communist majority in its present tendency to look toward the West. This was the effect of Secretary Byrnes' wise speech at Stuttgart, immediately apparent in German elections. In our opinion the unavoidable reverse reaction in Poland was not of comparable importance in long-range future of Europe. Poland is already under Soviet domination, and likely to remain so for a long time to come. Whether or not the Polish people remain or turn still further to the East matters little provided the German people remain faced in other direction. And while I am sure there is no way of inducing Soviet or Polish Govts to relinquish the territory in question, if they decide to remain there, a firm stand on principle for the return of at least part of it as much needed agricultural land to Germany would cut the ground out from under German Communists who will of necessity follow the Kremlin line.

Please repeat to London as Moscow's 34, Warsaw as 7.

SMITH

¹⁶ *Ante*, p. 139.

740.00119 Council/1-1547

The Secretary of State to the Chinese Foreign Minister (Wang) ¹⁷

[WASHINGTON,] February 5, 1947.

I have the honor to acknowledge the receipt of your note of January 14, 1947 ¹⁸ which was transmitted to me by the Chinese Ambassador in Washington in a note of January 15, 1947 and in which you set forth the views of the Chinese Government concerning matters of procedure relating to the peace settlements for Germany and Austria and concerning the scope of subjects to be considered at the forthcoming meeting at Moscow of the Foreign Ministers of the Union of Soviet Socialist Republics, the United Kingdom, France and this country. You stated that you were sending identical notes to the Foreign Ministers of the Union of Soviet Socialist Republics, the United Kingdom and France.

Careful and sympathetic consideration has been given to the views expressed in your note. Without attempting to discuss in detail all the points contained therein, I may state that, as your Excellency is of course aware, this Government favored the inclusion of China among the sponsoring Powers for the conference which considered the peace settlements with Italy, the Balkan States and Finland in Paris last year, and this Government also favors the inclusion of China as a sponsoring Power for the conference to consider the peace settlements with Germany and Austria.

With regard to the forthcoming meeting at Moscow of the Foreign Ministers of the Union of Soviet Socialist Republics, the United Kingdom, France and this country, that meeting has been called for the consideration of German and Austrian problems, and the agenda as now agreed upon is limited to such matters.

If, in preparation for or in connection with the forthcoming meeting at Moscow, there should take place any discussions on the matters referred to in your note among representatives of this Government and other Governments, the representatives of this Government will not fail to bear in mind the views set forth in your note.

Editorial Note

On February 4, 1947, the Secretary of State conferred with Senators Arthur H. Vandenberg (Michigan) and Tom Connally (Texas) and invited them to accompany him to the Moscow session of the Council of Foreign Ministers. Both Senators reluctantly declined the invitation because of the pressure of urgent Congressional business,

¹⁷ This message was contained in a note from the Secretary of State to the Chinese Ambassador in Washington, dated February 5, 1947, not printed.

¹⁸ *Ante*, p. 145.

in particular the consideration of the treaties of peace with Italy, Bulgaria, Hungary, and Rumania. No Department record of the discussion has been found, but both Senators issued statements to the press following the meeting explaining their decisions. During his press conference on February 7, 1947, the Secretary referred to his discussions with the Senators and noted their decision not to accompany him to Moscow. For the text of the statement by the Secretary, see Department of State *Bulletin*, February 16, 1947, page 286.

740.00119 Control (Germany)/2-747: Telegram

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

TOP SECRET

PARIS, February 7, 1947—9 p. m.

572. Bidault is not very happy about the various memoranda on Germany which the Quai d'Orsay has been working on, some of which have been delivered to the deputies in London and others are still in the drafting stage.¹⁹ He remarked to me:

"I apprehend that neither your Government, nor the British, nor the Soviets will approve our memoranda, but no matter; I must do my best to defend my country's interests. I am only too well aware that France is a defeated country and our dream of restoring her power and glory at this juncture seems far from reality. While I can admit that privately to you, I cannot admit it either to the French people or to the world at large."

While Bidault is sincere on this, he has, of course, put himself on the end of a limb so far as his French public is concerned in view of the fact that De Gaulle first and then Bidault afterwards time and again repeated all over France the refrain: separation of the Ruhr, special status of the Rhineland (the Saar is a case apart) as well as no real central government for Germany. When Bidault began talking about this, he did so with his tongue in his cheek but to his surprise he found it was popular, and the more popular it became the more speeches he made on it.

On the one hand, Bidault, as he and De Gaulle have so often said to me, are not afraid at this juncture of any real revival of Germany as Germany, but they are very much afraid indeed of a revived Germany under Soviet auspices. On the other hand, it must be remembered that Bidault is a very ambitious man and in the past on a number of occa-

¹⁹ The reference here is presumably to the French Government's memoranda dealing with (1) the provisional organization of Germany (January 17, 1947), (2) the constitutional organization of Germany (January 17, 1947), and (3) international economic control of the Ruhr (February 1, 1947). For the texts of these memoranda, copies of which were given to the American, British and Soviet Governments, see *Documents Français Relatifs à L'Allemagne (Août 1945-Février 1947)* (Paris, Imprimerie Nationale, 1947), pp. 42-64.

sions has made compromises with Communist forces in France on internal French matters and has supported Soviet policies in international affairs when it served his (or France's he could say) purposes to do so. With this in mind, he would be prepared to strike a bargain with the Kremlin to support Russian policies in eastern Germany and reparations for instance (mytel 420, January 31²⁰) if the Russians will go along with him in regard to international control of the Ruhr, economic union of the Saar with France; and all this in the face of the well-known fact that Russian plans, in direct opposition to the French plans, call for a strong central government in Germany.

CAFFERY

760C.6215/2-1047 : Telegram

The Ambassador in Poland (Lane) to the Secretary of State

SECRET

WARSAW, February 10, 1947—5 p. m.

237. I regret I cannot agree with Ambassador Smith's position as expounded in his 273, February 4[3] to Department.²¹ I do not feel that question at issue is Germany vs Soviets but US vs Soviet Union. In Poland, British and ourselves have taken strong position in favor Polish people to prevent their domination by Communist controlled govt. The recent rigged elections indicate that for time being we have lost out in our fight but I feel that this is a long range problem and we must take every opportunity to enhance our prestige and to give Polish people hope for future. Grabski, an independent Pole who recently talked to British FonOff on Western lands, said that Polish people would never understand this territory should be returned to Germany and that it would mean a terrible tragedy for the 4 million Poles who have been settled there if they should now be sent to other parts of Poland. Cardinal Hlond in talk with me February 3 emphasized distinction which must be drawn between Polish Govt and Polish people and said he hoped he would never punish latter for sins of former.

British Ambassador who saw Modzelewski February 6 reports latter as having stated that govt (meaning Communist group in govt) feels stronger than ever before and will not be moved by any power from course which it has chartered and that within three years it will have complete control of entire country. Bentinck interprets this as meaning that intention is to Communize Poland. Polish Socialists

²⁰ Not printed; it reported that Ambassador Caffery had been told in confidence that the French Ambassador in Moscow had been instructed to seek an audience with Stalin and to put the French case along the lines described here (740.00119 EW/1-3147).

²¹ *Ante*, p. 151.

even those in govt admit to us openly their fear that they will be eliminated from govt and from national affairs. One colleague tells me that Berman who is Moscow's principal agent here admitted that newly elected SEJM will meet for only very short periods and very seldom and that Presidium of SEJM will continue to carry on functions of Presidium of KRN in other words govt of country by decree rather than by law.

I regret I cannot agree with Ambassador Smith that Polish people are turned to East at present time. Polish people as distinguished from Polish govt are in my opinion ninety percent pro-American and more strongly so than ever since recent elections which the man in the street correctly regards as having been maneuvered by the Soviet Govt to keep the present puppet regime in power.

Ambassador Smith and I are in agreement that there is no way of inducing Soviet or Polish Govts to relinquish territory in question. That being the case will not German people regard our inability to enforce our views as a sign of weakness and will not our prestige in Germany be decreased accordingly? At same time we would be losing support of Polish people which regardless of its hostility towards govt is almost universally in favor of retention of Western territories as compensation for loss of Eastern territory. My more detailed views were contained in my letter of January 13 to Secretary,²² copies of which were sent to Moscow and to London for Murphy.

Repeated Moscow as 19, to London for Murphy as 27.

LANE

740.00119 Council/2-1247

Memorandum of Conversation, by the Secretary of State

[WASHINGTON,] February 12, 1947.

Participants: The Secretary.
 M. Bonnet, the French Ambassador.
 Mr. Matthews.

The French Ambassador called on me at his request this afternoon. He said that he is returning to Paris in a few days and that his Government is anxious to know how we view the several memoranda which he has submitted to us on German problems coming up at the Moscow Conference.²³ He said that he had been instructed to deliver the memorandum on the Ruhr to me personally but before he could do so, he had read the text in the *New York Times* and had consequently not wished to bother me. He said that his Government

²² *Ante*, p. 142.

²³ The reference here is to the memoranda identified in footnote 19, p. 154.

had given much care and thought to the preparation of these memoranda and he was hopeful that at Moscow we would find the French position not so different from our own as had been the case during previous discussions. His Government is very eager to learn our reactions to its memoranda. I told him that I was going to be quite frank. I had not yet had sufficient time in view of the numerous other problems with which I had to deal to complete my studies of the French memoranda and that therefore I could not this time go into any detailed discussion of them. He could, however, tell his Government that the Department was gratified to observe the direction in which the French Government is leaning. I said that I had been hoping to stop off in Paris on my way to Moscow to have a chance to meet officials of his Government and to talk about the Moscow meeting. Unfortunately, my plans are linked with those of the President and his trip so that I am not certain just when I can get away. I had hoped to spend some 24 hours in Paris but I may only be able to stop for a few hours. The Ambassador said he was very happy to hear that I was planning to stop at Paris and that he had been on the point of asking me whether I could do so. He knew his Government would greatly welcome such a visit and the French people too with their memories of the war would be anxious to have me visit their country.

I asked if General Béthouart was still French Representative on the Control Council in Austria and he replied that he was. I told him that I had had happy associations with him during the war. I then asked especially for General Juin and whether he was still Chief of Staff. M. Bonnet said that he was. I told him at some detail of my great admiration for General Juin's qualities as a General and especially of his abilities to work with his Allies. I told him how it had been my great pleasure to award the General the DSM in Italy in spite of regulations to the contrary.

After some reminiscences of my service in France during World War I and my trip in 1945 the Ambassador remarked that he had been interested to read what I had said at my press conference concerning security and disarmament.²⁴ He said that he thought my statements would find a very welcome echo in France. Security is still the question that most concerns France. However, much the situation may have changed, the French peasant still thinks of Germany and wonders whether he will have to fight a third war against Germany. I said that I had tried to emphasize that security must be practical. It was easy for France being so close to the Rhine—perhaps we should now say the Elbe—to remain conscious of her security problems. It

²⁴ For the text of statements made by the Secretary of State at his press conference on February 7, 1947, see Department of State *Bulletin*, February 16, 1947, p. 287.

was less so in the United States in view of the oceans and great distance separating us from centers of possible conflict, especially if one got out in the Mississippi Valley, which is even farther from troubled areas. In all these discussions of disarmament we must take the practical view that finding a dependable basis of security comes first. In this country we have the domestic problem of wishing to balance the budget and the desire in some quarters to cut our military establishment for that purpose. I therefore feel that universal training is the only answer which would give us adequate military strength to back up our views on foreign policy questions at a cost not in excess of financial possibilities. On the matériel side, I said, we were pretty well off and had probably adequate reserves and plant facilities; but we must also have adequate numbers of trained men who could be called up in say a month's time to fill the skeleton forces which we are maintaining. Universal training is the only way to provide these reserves at a cost which the taxpayer can support. We had made the mistake of disarming unilaterally after the last war with tragic consequences and we were not going to do so again. The Ambassador said he was happy to hear it.

In conclusion, he mentioned the economic assistance, particularly with regard to wheat, concerning which he has been having conversations in the Department and said he hopes this assistance will be forthcoming.²⁵ He reiterated his hope that I would stop over in Paris en route to Moscow.

740.0011 EW (Peace) /2-1247

*Memorandum by the Counselor of the Department of State (Cohen)
to the Secretary of State*

SECRET

WASHINGTON, February 12, 1947.

Subject: Summary Statement on Important Phases of Austrian and German Settlements For Use in Connection With Meeting of Foreign Relations Committee.²⁶

A. AUSTRIAN SETTLEMENT

I. Mr. Byrnes was pressing throughout the past year to get consideration of a treaty for Austria but it was only in New York in December that he finally obtained agreement of the Council of Foreign

²⁵ For additional documentation regarding the concern of the United States over the political, economic, and financial situation in France, see volume III.

²⁶ The Secretary of State testified before a closed session of the Senate Foreign Relations Committee on February 14, 1947; see *post*, p. 166.

Ministers (CFM) to direct their deputies to prepare an Austrian Treaty for submission to the CFM at its Moscow Meeting.

Mr. Byrnes was eager to secure the prompt consideration and settlement of the Austrian Treaty for two important reasons:

(a) We are committed to treating Austria as a liberated and not an enemy country. As a liberated country, Austria should not be subject to the burden of occupation and occupation troops. We do not intend and Austria does not wish us to get out of Austria before the other occupying powers get out, but Austria wishes and we wish to have all occupying powers get out at the earliest possible moment.

(b) We not only wish to get the troops of occupation out of Austria in order to reduce the burden on ourselves and Austria, but to make possible the complete removal of troops from Rumania and Hungary. One of the principal objectives of Mr. Byrnes in pressing for the conclusion of treaties with the ex-satellite states was to get the occupation troops as quickly as possible out of all countries in Europe with the exception of Germany. In concluding treaties with Rumania and Hungary it was necessary, however, to allow the Soviets to retain troops in those countries so long as necessary to protect their communication lines with Austria. Therefore, when the occupation troops are withdrawn from Austria, the Soviets will be obligated to withdraw their troops from Rumania and Bulgaria. After that is done, occupation troops will be left only in Germany, although the Soviet will continue to have troops in Poland supposedly for the purpose of guarding the communication lines.

II. Our interest in the Austrian settlement is to see that Austria is freed from the continuance of restrictions and burdens which might endanger her independence and make her a vassal of the Soviet or any other power.

III. At Potsdam we obtained agreement that no reparations should be exacted from Austria. But it was also agreed at Potsdam that appropriate German foreign assets should be taken for reparation and it was agreed that these German assets in certain countries should go to the Western Allies and in certain other countries to the Soviet. German assets in western Austria were to go to the Western Allies and in eastern Austria to the Soviet. The Soviet has taken the position that as the occupying power she can determine for herself what are and what are not German assets and to take them out of Austria or use them in Austria in any way she wishes no matter what the effect of her action may be on the Austrian economy. While many difficult legal and interpretative questions are involved, we and the British will do everything we can in the treaty and otherwise, to protect Austria from what we regard as an unfair and inequitable application of the Potsdam Agreement by the Soviet.

IV. We are also endeavoring, in the treaty and otherwise, to protect the political refugees in Austria from being turned over against their

will to the countries of their origin without satisfactory proof that they are guilty of war crimes. There are several hundred thousand displaced persons in Austria and many of these the Soviet regard as hostile to the Soviet Union, and we fear that they will not be dealt with in accordance with our traditional concepts of due process if they fall into Soviet hands. Some of these displaced persons can be absorbed in the Austrian economy, but we will have to assist in finding homes for most of them elsewhere. General Clark has suggested that despite the overpopulation of Germany it would be best to move many of them to Germany than to leave them in Austria where their presence might complicate and delay the Austrian settlement and place too heavy a burden on the shattered Austrian economy.

B. THE GERMAN SETTLEMENT

While the deputies of the Council of Foreign Ministers (CFM) on the Austrian settlement have been instructed to draw up a draft treaty for the consideration of the CFM at Moscow, the deputies on the German settlement have only been instructed to hear and report the views of the other allied states which participated with armed forces in the struggle against Germany and to report on the question of procedure with regard to the preparation of the German settlement. While it is hoped that the CFM at Moscow will be able to consider the definitive terms of the Austrian treaty, the CFM will not have before it a definitive draft of the German settlement but will try to formulate the principal directives which should guide the Deputies in working out the definitive terms of the German settlement.

The principal objectives of the United States in regard to the German settlement have been set forth by Secretary Byrnes in his speech at Stuttgart last summer. At this time no more than a brief statement of these principal objectives should be attempted.

I. Military Objective.

Germany should be disarmed and demilitarized and kept disarmed and demilitarized. To secure this objective, President Truman and Secretary Byrnes with the full support and encouragement of Senators Vandenberg and Connally, have proposed a treaty by which the four principal allied powers undertake to see to it that Germany remains disarmed and demilitarized. The proposed treaty provides for a continuing system of quadripartite inspection and control to make certain that Germany does not rearm or rebuild her armament plants or reconvert her civilian industries for war. As Secretary Byrnes has stated, "the United States is firmly opposed to the revival of Germany's military power. It is firmly opposed to a struggle for the control of Germany which would again give Germany the power to divide

and conquer. It does not want to see Germany become a pawn or a partner in a struggle for power between the East and the West."

II. Economic Objective.

(a) Germany should be obliged to do her part to repair the devastation caused by her aggression.

To secure this objective, the Potsdam Agreement provided that, as part of a combined program of demilitarization and reparations, Germany's war potential should be reduced by the elimination and removal of her war industries and the reduction and removal of heavy industrial plants so that Germany would be left with levels of industry capable of maintaining in Germany average European living standards without assistance from others.

The plants so to be removed from the Soviet zone were to go to the Soviet Union and Poland and the plants so to be removed from the western zones were to go in part to the Soviet Union, but in the main to the Western Allies.

The levels of industry fixed under the Potsdam Agreement make no allowance for reparations out of current production. The levels fixed are scarcely sufficient to enable the German people to become self-supporting at the average European standard of living. Secretary Byrnes has stated that the United States will not agree to the taking from Germany of greater reparations than was provided by the Potsdam Agreement.

Some upward adjustment of the levels of industry for Germany should be made to take into account agreed changes in her boundaries and the larger than contemplated population which will have to live within her reduced boundaries. Any upward adjustment in the levels of industry would reduce the plants removals which could be made for reparations. If there were to be any reparations from current production, the levels of industry would have to be raised very substantially and plant removals reduced proportionately. The Soviet Union has probably already taken from her zone most, if not all, the plants which she had a right to take under the Potsdam Agreement and so in our view would be entitled to very little if any current production even if the levels of industry affecting primarily the western zones were raised.

The United States is not prepared to approve any change in the Potsdam Agreement which would make it more difficult for Germany to become supporting without external assistance. In other words, the United States is not prepared to finance the payment of reparations.

(b) While Germany should be obliged to make reparations within her means, Germany must be given a chance to maintain a minimum European standard of life without outside aid.

To secure this objective, Germany must be permitted within the reduced territory left to her to operate her economy as an economic unit. Zonal barriers to the exchange and distribution of her indigenous resources must be removed.

(c) German economy should be geared to the economy of Europe as a whole. While German trade should not be restricted by zonal barriers, Germany should not be allowed to deny access on equal terms to her great iron and steel resources to other European countries. We should not shortsightedly try to keep Germany weak and poverty-stricken, but we should not permit Germany to build herself up economically by depriving France and other European countries of the resources they need.

III. Political Objective.

(a) The German people throughout Germany should be given the primary responsibility for running their own affairs under proper safeguards which will ensure that Germany remains disarmed, maintains the democratic character of her governmental institutions and respects the human rights and fundamental freedoms of all who dwell within her gates.

To accomplish this objective, the Potsdam Agreement provided that the administration of affairs of Germany should be directed towards the decentralization of the political structure and the development of local responsibility. In carrying out the Potsdam Agreement the United States has organized its zone into three *länder* or provinces. It is our view that the government of Germany should be a federation of *länder* or provinces with a federal government with limited powers, but with the powers necessary to deal with matters, particularly economic matters, which require nation-wide treatment. The federal government should be denied the right to maintain any military department or establishment or to have control over internal security or education. The Allies should lay down the principles which should govern the drafting of the Constitution, but should permit the responsible representatives of the *länder* or provinces to draft the Constitution subject to the approval of the completed instrument by the Allies.

(b) The boundaries of Germany should be drawn with a view to the peace and prosperity of Europe.

We are committed to the assignment of the Koenigsburg area of East Prussia to the Soviet Union. We are committed to the detachment of the Saar from Germany and its economic integration with France.

We are committed to giving Poland some compensation in the East for the lands taken from her east of the Curzon line. But the German-

Poland boundary was only provisionally fixed at Potsdam for the administrative purposes of occupation, subject to the final decisions of the Peace Conference. The area in dispute is primarily a food growing area. It is now sparsely populated, most of the Germans having fled or been expelled therefrom. It has only been partially settled by the Poles. We are inclined to believe that the provisional line should be adjusted to enable German farmers to raise there the food which Germany and Europe so badly need.]

Other claims have been made for small portions of prewar Germany by other neighboring countries. These must be carefully examined, but in the interest of peace a very clear case should be made out for taking any further territory from Germany.

We are concerned not to make a hard peace or a soft peace, but a peace which will be effective and enduring.

860S.51/2-1347

*The British Embassy to the Department of State*²⁷

MEMORANDUM

Ref: 11/32/47

Acting on a decision of the Council of Foreign Ministers taken on the 11th December, 1946, a Four Power Financial Commission is at present setting in Trieste to study the financial situation of the Free Territory during the initial period and to make recommendations on this subject.²⁸ The Commission has to submit this report by the 20th February and it is estimated that several months will be required to

²⁷ A marginal handwritten note on the source text reads as follows: "File. Affirmative reply given orally Feb 14. WD [Walter Dowling?] SE".

²⁸ For the Council decision under reference, see *Foreign Relations*, 1946, vol. II, p. 1517. The Trieste Commission of Inquiry, as it was officially designated, held its first meeting on January 14, 1947, in the headquarters of the Allied Military Government, Trieste. The Commission members were: United States—Harold Glasser; United Kingdom—A. P. Graftey Smith; Soviet Union—Vladimir Sergeevich Gerashchenko; France—Christian de Lavarene. During January and February 1947, the Commission interviewed principal officers of the Allied Military Government and representatives of local business, labor and political groups. Yugoslavia and Italy sent missions to Trieste for consultation with the Commission, and the Commission, at the invitation of the Governments concerned, visited Rome and Belgrade. The conclusions and recommendations of the Commission were set forth in a 51-page Report, dated February 27, 1947, designated document CFM (47) TCI-151. This Report was subsequently circulated to the Council of Foreign Ministers as document CFM (47) (M) 2, March 10, 1947. Acting on behalf of the Council of Foreign Ministers, Soviet Deputy Foreign Minister Vyshinsky sent copies of the Commission's Report to the Secretary-General of the United Nations on September 7, 1947; see Vyshinsky's letter, Department of State *Bulletin*, October 26, 1947, p. 824. A preliminary summary of the contents of the Commission's Report was sent to the Department of State in telegram 24, February 20, 1947, from Caserta, p. 171.

put the recommendations of the report into effect. Unless, therefore, the Council of Foreign Ministers adopt the report at an early stage, the Free Territory may come into being without any arrangements having been made for its economic organisation.

2. His Majesty's Government in the United Kingdom wish to enquire whether the United States Government will agree to the inclusion of the report of the Four Power Commission in the agenda of the Moscow Conference. They also wish to know whether the United States Government would prefer that the report should be considered at the opening or towards the end of the Conference. His Majesty's Government in the United Kingdom think that the Four Power Commission will by no means have reached unanimous conclusions and that there will be major decisions of substance to be made on the report. They are therefore in favour of having it placed early in the agenda so that the Foreign Ministers themselves can make the necessary broad decisions and then leave the representative of the Four Power Financial Commission, who will be present in Moscow, to work out the details while the meeting is dealing with the rest of the agenda. The report can then be adopted in its final form at any later stage in the meeting which is convenient.

3. His Majesty's Government would be grateful for a very early expression of the United States Government's views on the foregoing. A similar communication is being addressed to the Soviet and French Governments.

WASHINGTON, 13th February, 1947.

740.0011 EW (Peace)/2-1447

*Memorandum by the Counselor of the Department of State (Cohen)
to the Secretary of State*

WASHINGTON, February 14, 1947.

Subject: Important Principles Involved in Austrian and German
Peace Settlements

A. Austrian Settlement.

[Here follows a very brief summary of the points regarding an Austrian settlement made in Cohen's memorandum of February 12, to the Secretary, page 158.]

B. German Settlement.

1. Germany should be disarmed and demilitarized and should be kept disarmed and demilitarized. Germany should not be allowed to become a pawn or a partner in a struggle for power between the East and the West.

2. We adhere to the Potsdam Agreement that Germany as the aggressor should be obliged to pay reparations to the extent that reparations can be paid over a reasonable period of time without depriving the German people of resources necessary to enable them to subsist at a minimum average European standard of life without external assistance. America is not prepared to finance the payment of reparations. America is not prepared to agree to greater reparations being imposed upon Germany than is required by the principles agreed to at Potsdam.

3. German economic recovery is essential to the economic recovery of Europe as a whole and should be encouraged in a manner to advance the recovery of Europe as a whole. The economic recovery of Germany should not be given priority over the economic recovery of the Allied countries, but no obstacle should be placed in the way of the efforts of the German people to speed their own economic recovery so far as they can do so consistent with their obligations to pay reparations and to share equitably with their neighbors their steel and coal resources now in short supply. We are opposed to Germany becoming again the economic master of Europe, but we are equally opposed to the short-sighted policy of trying to make Germany a vassal state.

4. We believe that the internal management of their own political, economic and social affairs should be entrusted to the German people as rapidly as possible, subject to the following basic obligations or safeguards:

- (a) the observance of agreed provisions of disarmament and demilitarization;
- (b) the fulfilment of the reparation obligations and the equitable distribution of the Ruhr resources between Germany and the rest of Europe so long as there is a shortage of steel and coal;
- (c) the maintenance of democratic institutions and the observance of human rights and fundamental freedoms;
- (d) the decentralization of political power among the *länder* so far as is compatible with the treatment of Germany as an economic unit.

5. Occupying powers should not use the occupation to secure special economic advantages for themselves or their nationals.

6. Occupation troops in Germany should be limited to the minimum constabulary forces necessary to protect Allied Military Government and its functions in Germany.

7. War prisoners, not guilty of war crimes, should be promptly repatriated.

8. We will do our best to carry out these principles in agreement with our Allies. But insofar as we cannot reach unanimous agree-

ment on the methods of carrying out these principles, we will carry them out in our own jurisdiction and in conjunction with such of our allies as will cooperate with us, leaving the door open always for the rest of our allies to join with us when they will. This is subject to the condition that to maintain our relative position we should not reduce our troop strength disproportionately in relation to our other allies.

711.00/3-347

*Minutes of an Executive Session of the Committee on Foreign Relations of the United States Senate*²⁹

[Extracts]

WASHINGTON, February 14, 1947.

The committee met at 10:30 o'clock, pursuant to call, in the Committee Room, the Capitol, Senator Arthur H. Vandenberg, Chairman, presiding.

Present: Senators Vandenberg (chairman), Capper, White, Wiley, Smith, Hickenlooper, Lodge, Connally, Thomas of Utah, and Hatch.

THE CHAIRMAN. We have an excellent quorum, gentlemen. I think we will come to order.

Mr. Secretary, you have been here before under other circumstances and auspices. You have always been welcome before, and you certainly are now. We are entirely at your service in any way we can be helpful to you—when we happen to agree with you. We will be very delighted to have you say anything you please to us this morning.

STATEMENT OF THE HONORABLE GEORGE C. MARSHALL
SECRETARY OF STATE

SECRETARY MARSHALL. Thank you very much, Mr. Chairman. I would appreciate it if you would give me some idea of the particular things in which you are interested at the moment. I know, of course, you are interested in the German and Austrian settlements, but other than that?

THE CHAIRMAN. I think, Mr. Secretary, if rather quickly, without dwelling on the points, you can give us a bird's eye view of what the situation is in South America and what the immediate situation is in China as a result of the recent developments, and where we go from here with respect to these things, it would be very helpful.

SECRETARY MARSHALL. I will start with China.

²⁹ This transcript was prepared by stenotype reporter Franklin A. Steinko. A memorandum by Marshall S. Carter, Special Assistant to the Secretary of State, attached to source text, indicates that the only other copy of this transcript was in the Top Secret file of the Senate Foreign Relations Committee.

SECRETARY MARSHALL. Now, as to the situation regarding Moscow: Aside from the various factors, the character of the Government to be set up in Germany, the matter of boundaries, the possibility of getting the Austrian Treaty handled first, and those matters, I think the Chairman and Senator Connally can give you more definite views and more well founded views than I can at the present moment, but all of those I am having analyzed for me in every detail as to the possibilities and particularly what are the fundamentals regarding which we must be implacable, which we just must have. I presume you other gentlemen are familiar with the difference between the situations regarding the Austrian Treaty and the German situation. They are attempting to draft a treaty for Austria. As to Germany, they are not at that phase at all. They are trying to get down to the principles which will guide the representatives in drafting such a treaty.

So, as I understand it, when we go to Moscow, we have two levels there. We have whatever progress has been made in London toward the draft of an Austrian Treaty, and on the other hand we have whatever progress has been made or not made in London as to the principles which will guide the deputies in drafting a treaty regarding Germany.

Now, the view as to the prospects of an accord in regard to the second item, the German treaty, vary from some who say three to six weeks and some, I think, like Senator Vandenberg, would translate weeks into months—three to six months, probably. But it would appear at the present moment that if you got a reasonable acceptance of certain guiding principles for the deputies regarding a German treaty, and then adjourned to have them work on that, you would have made very good progress.

The possibilities apparently are, as I gather from the advice I have received, that if we got that far with the thing on this first meeting, we are lucky.

THE CHAIRMAN. That is certainly true.

SECRETARY MARSHALL. That we will have to probably move on from there.

SENATOR SMITH. Do you mean an agreement on the Austrian Treaty, and dispose of that, and then these principles on the German Treaty?

SECRETARY MARSHALL. The Austrian Treaty is a separate transaction, and the anticipation is that the Soviets would be rather opposed to treating that ahead of the German thing, although we would desire to do that. The possibilities of managing that remain to be seen, but it looks like the prospects are not too good.

Anyway, if we could secure an agreement on certain guiding principles for the deputies to work on for the treaty regarding Germany in

this meeting, the consensus of opinion seems to be that we will have made pretty good progress.

THE CHAIRMAN. Do you think there is any significance in the change of attitude regarding the admission of correspondents to Moscow? ³⁰

SECRETARY MARSHALL. Smith has not given us the reaction to that particular thing. He is working on the increase in numbers. My guess is that in the first place they have limited accommodations. In the next place they want to hold the number down as much as they can, because it certainly is a bitter pill for them to have a swarm of correspondents in the country, and there is going to be a great collection if you get the British and French and the others. It is going to be a very disturbing element, and it is going to be a very difficult thing for them to hold within the narrow confines. My own guess is that I am going to be more concerned with the incidents [*incidence?*] of correspondents than with the aspects of the treaty.

THE CHAIRMAN. You are going to have one difficult time!

SECRETARY MARSHALL. I anticipate that.

I think they have a problem in accommodations, and they have a deep-rooted desire not to have too many of these people. Twenty does not seem much to us, but twenty plus the British and French and others seems a lot to them. That is the battle.

I suppose, too, quite naturally, that any increase on our side is an automatic increase all around the circle, which is the precedent involved, so there are a good many different points of view there. My own thought is that if you have twenty Americans in there the news of the thing will go all over the world. As a matter of fact, if you had three in there they would do a pretty good job of it, but there will be no suppression of the facts of life with twenty there. It is a question of each one of our own press industries back here getting a fair break. It is more that than it is the news. I have no thought at all in my mind that these twenty would not be able to tell the world pretty well what is happening.

³⁰ Despite the continuing efforts of the United States to increase the number, the Soviet Government was at this time reluctant to grant more than twenty visas for American correspondents to travel to Moscow to report on the forthcoming meetings of the Council of Foreign Ministers. In the negotiations between the two governments on this subject during January and February 1947, the United States took the position that such a restricted allocation was entirely inadequate. These negotiations are described in Walter Bedell Smith, *Moscow Mission 1946-1949* (Melbourne, London, Toronto, William Heinemann Limited, 1950), pp. 204-205. The Secretary of State discussed the issue during his press conference on February 7, 1947 (see Department of State *Bulletin*, February 16, 1947, p. 286) and again at his press conference on February 25, 1947. The position of the American correspondents in the matter was set forth in a statement by a committee of correspondents made public on February 8, 1947, and printed *ibid.*, p. 286, footnote 1. On March 1, the Soviet Government agreed to increase the number of visas it would grant to thirty-six.

THE CHAIRMAN. But it is a default in Mr. Molotov's guarantee.

SECRETARY MARSHALL. You would know that.

THE CHAIRMAN. I think that is very definite.

SECRETARY MARSHALL. We are going very hard for the fifty-two we started with.

SENATOR HATCH. Yesterday one of the overseas news agencies issued a statement demanding, in effect, that either the additional correspondents be allowed to go to Moscow, or that the place of meeting be changed.

THE CHAIRMAN. *The New York Times* demanded that in an editorial yesterday.

SENATOR HATCH. I was asked to comment on that yesterday, and I refused to give it my approval. I thought it was impossible to change the place of meeting.

SECRETARY MARSHALL. I read those things, and my own thought was that they did not do any harm. It was pressure to increase the number without my saying anything.

THE CHAIRMAN. Is there any significance in the fact that you are bringing Ambassador Lane home?

(The discussion was continued off the record.)

SENATOR CONNALLY. General, you spoke about these general principles on which we will agree with regard to Germany. Will not one of those be the question as to whether Germany should be preserved as a unit or whether it will be a federated state?

SECRETARY MARSHALL. Oh, yes. All of those things—the Ruhr area and all those various things—are involved in there. They are trying to boil down for me what I characterize as the Ten Commandments. I want to have clearly settled in my mind certain fundamental things that we must insist upon, and then a classification of those that you might say we will negotiate with regard to. I have to get that clear in my mind to my own satisfaction, and I have not reached that point yet. I have gone over the whole thing, all of the desires and all of those things, but it is still a general affair in my mind. I had about three hours of the Ruhr yesterday.

I might tell you gentlemen here—I would not advertise this—that I had Mr. Boland [*Bohlen*], Mr. Cohen, and Mr. Matthews and the head of the European Section and about three others make these regular presentations to me about an hour or two hours or three hours at a time, for my education. I am just sort of listening in. I have gotten through that. Now I have to go back and get it boiled down in detail where I can get my fingers on each specific thing and, of course, there are a great many. Then I have to go to the President.

But there are so many pros and cons to this thing in our relations

with the French and our relations with the British, and the great problem of the Ruhr, which, of course, is a thing that is a pretty hard nut to crack. In some respects I found it not quite so complicated as I anticipated. There seem to be certain things in the condition of affairs that were not great issues at the moment, which rather surprised me. But, goodness knows, it is difficult enough as it stands.

I am not prepared at all on the Austrian end of the thing.

SENATOR CONNALLY. Is it pretty clear in your own mind that this problem that you have, this preliminary session, this preparatory session, will then recess to give the deputies the intervening time to work on the matter?

SECRETARY MARSHALL. That would appear to be a hopeful prospect, and something we would be rather pleased with if it came out that way.

THE CHAIRMAN. That is the way Paris worked.

SECRETARY MARSHALL. If we could work faster than that it would be a miracle.

THE CHAIRMAN. It would be a miracle if it worked that fast!

SENATOR CONNALLY. I think this conference in Moscow is going to be a long, tough struggle.

[Here follow comments by the Secretary regarding the international implications of reductions in the defense budget, a discussion of universal military training and a further consideration of the question of relations with China.]

811.2340/2-1847

The Secretary of War (Patterson) to the Secretary of State

SECRET

WASHINGTON, 18 February 1947.

DEAR MR. SECRETARY: Present War Department plans contemplate a deployment of Air Force units in Europe which will total 38,000 personnel on 1 July 1947. General McNarney has stated that from a purely military standpoint the requirement for the air support of occupation forces in Europe is one fighter group and two troop carrier squadrons with ancillary units, totalling 7,500 personnel. General Spaatz concurs in General McNarney's analysis, but desires to retain a total air strength of personnel varying from 8,000 to 12,000 in order to permit a degree of flexibility in the rotation of tactical, including VHB units, from the United States to Europe for short training periods.

The present deployment of 38,000 personnel has been maintained to date primarily because of the desire of Mr. Byrnes that it not be

reduced.³¹ The War Department recognizes the State Department's position to date on this matter as to the political advisability of obvious reductions in our Air Force in Europe during the period of the recent conferences. The War Department also recognizes that the State Department may have a similar point applicable to the Moscow Conference. However, the current pressure for economy, both in money and manpower, the unsatisfactory operational state of the air units in Europe, and the grave difficulties being experienced in keeping air units in anything approaching a satisfactory operational state, even in the United States, make it extremely desirable from the military point of view that Air Forces in Europe be reduced in the near future toward the level indicated in the preceding paragraph.

It is requested that you review the situation outlined in this letter and provide the War Department with your views as to the practicability of reducing deployment of Air Forces in Europe in the near future. In case you feel, from a political standpoint, that immediate reduction is undesirable, it would be most helpful if you would furnish your views as to when reduction could be accomplished in order that plans may be prepared to use the limited resources in the most efficient and economical manner.

Sincerely yours,

ROBERT P. PATTERSON

860S.00/2-2047 : Telegram

The United States Representative on the Trieste Commission of Inquiry (Glasser) to the Secretary of State

SECRET

CASERTA, February 20, 1947—9 a. m.

24. From Glasser Trieste. Re No. D-129 subject Reurtel No. [7] 14 February.³²

1. Trieste commission set February 25 as final date for completion of report.³³ Glasser leaving Trieste 26 February for Washington by fastest means.

³¹ A memorandum by John D. Hickerson, dated February 25, 1947, addressed to the Secretary of State and the Under Secretary, not printed, stated the following:

"Last Autumn the War Department discussed informally with the State Department a proposal to reduce materially U.S. Army Air Force personnel in Germany. Mr. Byrnes at that time was in Paris. The matter was discussed with him there, and he urged strongly against the proposed reduction at that time. Mr. Byrnes felt that the reduction would have unfortunate political repercussions, since it would give the impression that the United States was pulling out of Europe." (S11.2340/2-2547)

³² Not printed; in it the Department requested a report on the progress of the Trieste Commission on Inquiry.

³³ Regarding the Report of the Trieste Commission of Inquiry, see footnote 28, p. 163.

2. Substantial agreement has been reached on budgetary reform which if effectively carried out would attain balanced internal budget for first fiscal year. However there is also large extraordinary budget the size of which is conditional upon political and economic conditions within the free territory such as extra police force, subsidy on bread, public works program to absorb unemployment. There may be disagreement within the commission on provision for such extraordinary items in the budget.

3. There is substantial agreement on the favorable foreign exchange prospects for the free territory after the first fiscal year. However there will probably be disagreement on the need for external assistance for basic foods during first fiscal year. The Russian view is the basic needs of the free territory can be supplied principally from Yugoslavia under the compensation trade agreement involving the bulk of the free territory's economy aid that reliance should be placed on Yugoslavia from the beginning.

4. There will probably be disagreement on the time when the new currency should be introduced and on the nature of the new bank of issue. The acquisition of a gold and foreign exchange reserve behind the new issue may be a matter of disagreement. Both Italy and Yugoslavia expressed willingness to contribute to such a reserve and to welcome the participation of the hinterland countries although they disagree as to the form in which the contributions should be made. The commission will not have time to study the organization of the banking system.

5. There may be minor disagreements on the character of the customs regime, particularly as to the extent to which barriers are to be set up against Italian trade.

6. In general there has been agreement on the determination of facts and then as agreements have been limited to the solutions of problems which will face the free territory.

7. Both Italy and Yugoslavia governments have expressed their desire to assist the free territory to solve its economic and financial problems and to make real contributions to that end. There may be disagreement within the commission as to the extent to which it is desirable to place reliance on such offers of assistance. In addition, both Yugoslavia and Italy expressed the desire for the hinterland countries, Switzerland, Austria, Czechoslovakia and Hungary to participate in providing assistance to the free territory.

Repeated Rome for personal attention Ambassador as number 11.

[GLASSER]

860C.00/2-2047

*The United States Deputy for Germany at the Council of Foreign
Ministers (Murphy) to the Secretary of State*

SECRET
No. 90

LONDON, February 20, 1947.

SIR: I have the honor to refer to despatch no. 8401 dated January 9 from the American Mission at Berlin, despatch no. 1091 dated January 28 from the American Embassy in Warsaw, and that Mission's Report No. 101, dated January 21, regarding the Polish-administered area of Germany.³⁴ The comprehensive survey contained in the latter summarizes the available information on the present situation, with particular reference to Polish achievements to date and the economic importance of the area to post-war Poland.

The attached memorandum,³⁵ prepared by two members of my staff, reviews several other factors of importance to the formulation of American policy on the post-war Polish-German frontier, in particular: data on areas, population, and population density; the economic importance of the present Polish-administered area to Germany; and the treatment of the German population there. The main conclusions to be drawn are that: the formal acceptance of the present Oder-Neisse line would create a striking disproportion in the population densities of post-war Germany and Poland; the return of at least part of this area to Germany is desirable if that country is to attain a tolerable food standard; and, apart from Upper Silesia, the present Polish-administered area would not add materially to Germany's economic war potential, since both minerals and basic industrial production are concentrated in that part of the area. At the same time, Poland should be able, based on her post-war population and former self-sufficiency in food, to develop satisfactorily without the possession of all this territory. An additional consideration that cannot be avoided is the fact that, despite the words of the Potsdam Protocol, the treatment of Germans in the area, and especially their westward expulsion, has been both disorderly and inhumane.

Respectfully yours,

ROBERT MURPHY

³⁴ None of the despatches and reports under reference here have been printed. They were purely factual in nature and made no policy recommendations.

³⁵ Not printed.

740.00119 Council/2-2047

*The British Embassy to the Department of State*³⁶

AIDE-MÉMOIRE

His Majesty's Government in the United Kingdom are considering whether it would be possible to postpone the meeting of the Council of Foreign Ministers which is due to begin in Moscow on March 10th.

2. His Majesty's Government are informed that, owing to the unusually severe winter, passage of the Baltic and disembarkation at Libau will be impossible during the first week in March. Consequently there remains a difficulty with regard to transportation for the British Delegation; transportation by air must be excluded, and His Majesty's Government have not yet been able to ascertain whether rail transport facilities will be available. Moreover, Moscow would be much more tolerable in the Spring after the thaw has set in.

3. His Majesty's Government therefore would welcome postponement of the meeting until April 15th.

4. A further reason in favour of postponement is that, according to present information, the long and disputed report which is being prepared by the Control Commission for Germany will not be available before the end of February. Thus, there will be little time for its study before the Moscow meeting. Furthermore, the Deputies of the Foreign Ministers have as yet made little progress.

³⁶ This *aide-mémoire* was handed to Under Secretary of State Acheson by British Minister Sir John Balfour at 2:30 p.m. on February 20, 1947. After consulting with the Secretary of State, who discussed the matter on the telephone with the President, the Under Secretary saw Minister Balfour again at 5:30 p.m. and in accordance with the Secretary's instructions handed him the following statement:

"The Secretary of State regrets that he cannot accede to Mr. Bevin's request that he send to the Soviet Government a proposal to postpone the Moscow meeting of the Council of Foreign Ministers until April 15, 1947. He has already stated his intention to attend the meeting on the date already set and is still prepared to do so.

"He appreciates the difficulties mentioned by His Majesty's Government as warranting a postponement and would be willing to agree to such a proposal by Mr. Bevin should his Soviet and French colleagues be similarly disposed." (740.00119 Council/2-2047)

According to the account in Walter Millis (ed.), *The Forrestal Diaries* (New York, Viking Press, 1951), p. 245, the Secretary of State told Secretary of the Navy Forrestal on February 24 that Foreign Secretary Bevin had called the previous day and had asked Secretary Marshall to request from the Soviet Government a postponement of the Council of Foreign Ministers meetings until April 15. Bevin explained that the Russian northern ports were closed and that he could not fly because of his heart. Secretary Marshall told Bevin that he would support a British request to postpone the meetings but would not himself initiate such a request. Marshall explained to Forrestal that Russian ice-breakers were finding it possible to open the northern ports for travel.

On February 25, 1947, the following message was sent to the Embassies in Moscow, London, and Paris: "Brit have decided not to request any postponement Moscow Conference and are planning arrive in Moscow by March 10." (740.00119 Council/2-2547)

5. His Majesty's Government share the anxiety of the United States Government that no time should be lost in starting negotiations for a treaty with Austria. His Majesty's Government also understand how eager the United States Government is to begin discussions on Germany. His Majesty's Government hope, however, that on balance the United States Government will agree that a postponement is justifiable.

6. His Majesty's Principal Secretary of State for Foreign Affairs hopes that the Secretary of State will be ready to send to the Soviet Government a proposal for postponement, which His Majesty's Government would then support. It would be necessary at the same time to inform the French Government of this action.

WASHINGTON, 20th February, 1947.

740.00119 Council/2-2047

Archduke Otto of Hapsburg-Lorraine to the Under Secretary of State (Acheson)

WASHINGTON, February 20th, 1947.

DEAR MR. ACHESON: I have sent today a message to both the President³⁷ as well as the Secretary of State on the following matter:

On February 19th. a despatch was published in the newspapers according to which the Russian Delegate Mr. Fedor Gusev had demanded re-inclusion of a clause in the earlier American draft, by which the four power deputy ministers council agreed to write into the Austrian treaty a permanent veto against any Habsburg restoration in Austria. In addition this clause permanently exiles members of the Habsburg family from their own country and confiscates all their private property.³⁸

This is an unprecedented step against individual rights:

1.—It violates the Atlantic Charter. The Charter states: "They respect the rights of all people to choose the form of Government under which they live."

2.—It violates the Moscow declaration of November 1, 1943 by depriving individual Austrians of their democratic right to speak and act for any orderly form of Government they may desire.

3.—It promotes injustice by unwarranted interference in the domestic

³⁷ Archduke Otto's letter of February 20 to President Truman, which was very nearly identical to the letter printed here, was forwarded to the White House by Associate Justice of the Supreme Court Frank Murphy on March 15, 1947, with the suggestion that an appropriate acknowledgement be prepared but that the President not be "bothered" about it.

³⁸ On January 27, 1947, Archduke Felix called at the Department of State to discuss Austrian developments and to protest against the treaty clause referred to here.

affairs of Austria, a non-enemy country. Similar conditions are not even imposed upon enemy nations and it can not be ignored that:

a.—The Habsburgs and their followers were always pro-allied and anti-nazi prior to and during the German occupation of Austria; I myself and my brothers worked actively on the side of the Allies; Three of my brothers served as volunteers in the American army; The Monarchist leaders in Austria were without exception either imprisoned or killed by the Germans.

b.—The Austrian Monarchists stand for genuine democracy and all they ask is that the Austrian people be permitted to choose their form of Government in free and unfettered elections.

4.—There is an apparent contradiction of principles in this punitive act of disfranchisement, exile and confiscation for pro-allied Austrian Monarchists and the stand taken by the U.S. Delegation in upholding political rights in former Austrian pro-nazi Pan-German groups on the ground of interference with "Human Rights."

5.—Also this act may well open the door to permanent Soviet intervention into Austrian domestic affairs under the pretense that all non-communist movements are "Monarchists".

With this in mind may I ask you, dear Mr. Acheson, to use your great influence in order to prevent this injustice and violation of the human rights and to safeguard the basic rights of the individual.

Believe me [etc.]

OTTO OF AUSTRIA

760C.6215/1-3147

The Department of State to the British Embassy

SECRET

MEMORANDUM

With reference to the British Embassy's memorandum of January 31, 1947³⁹ relative to the Polish-German frontier, the Department of State has under study at the present time the attitude which the United States Government will adopt on this question. The United States Government is, of course, obligated under the Berlin Agreement to support the cession of Königsberg and the adjacent areas of East Prussia to the USSR. The United States Government is also committed to territorial compensation for Poland. However, the extent of this compensation to Poland is still under consideration, and it is therefore not possible to indicate at this time what the United States Government is prepared to accept as the permanent Polish-German frontier. The United States Government is inclined, however, to the view that in the interest of the recovery of Europe as a whole the German territory transferred to Poland shall be limited to an area which Poland can be expected to utilize fully within a reasonable period of time.

WASHINGTON, February 25, 1947.

³⁹ *Ante*, p. 149.

740.00119 Council/2-2547

The Chinese Embassy to the Department of State

AIDE-MÉMOIRE

1. Referring to the Note of the Secretary of State dated February 5th, 1947,⁴⁰ in reply to the Note of the Chinese Ambassador of January 15th, 1947, communicating the message of the Chinese Minister for Foreign Affairs,⁴¹ the Chinese Ambassador desires to convey the thanks of Dr. Wang Shih-chieh to the Secretary of State for his sympathetic consideration of the views of the Chinese Government and for the position taken by the United States Government that it favors the inclusion of China as a sponsoring Power for the conference to consider the peace settlements for Germany and Austria.

2. The Governments of the United Kingdom and France, in reply to the identical Notes to their Foreign Ministers, have likewise expressed their concurrence in the views of the Chinese Government on the matter.

3. It is requested that the United States Government will maintain at the meetings of the Deputies of the Foreign Ministers in London and at the Conference of Foreign Ministers in Moscow the view that the conference on peace settlements for Germany and Austria should be convoked in the name of the full Council of Foreign Ministers and that decisions on other related matters should be made jointly by the five Foreign Ministers.

4. If any other procedure is contemplated, it is earnestly hoped that the Chinese Government will be consulted before any action is taken.

[WASHINGTON,] February 25, 1947.

811.2340/2-2647

Memorandum by the War Department to the Department of State^{41a}

SECRET

WASHINGTON, 26 February 1947.

Subject: Minimum Strength of U. S. Forces in Europe

1. The War Department has restudied the problem of minimum strengths which should be provided by the United States for the accomplishment of occupational objectives in Europe. Consideration has been given to the present and probable future strengths of Allied troops on foreign soil in Europe. The War Department considers that

⁴⁰ Not printed; it contained the message of February 5, 1947, from the Secretary of State to the Chinese Foreign Minister, p. 153.

⁴¹ The Chinese Ambassador's note of January 15 is not printed; the Chinese Foreign Minister's message of January 14 is printed on p. 145.

^{41a} This memorandum was directed to Assistant Secretary of State, Major General Hilldring.

conditions have not changed to allow a reduction in the troop strengths which should be provided for Europe since the U.S. view was transmitted to the Council of Foreign Ministers in December 1946. (See Tab "C" ⁴²)

2. A staff study, which outlines pertinent details of the problem, is inclosed herewith. Appended to the Staff Study as Tab "B" ⁴³ is a War Department study which was furnished Mr. Byrnes and Mr. Cohen by the War Department during their discussion of the question of reduction of Allied forces in Europe in the Council of Foreign Ministers in November 1946.

For the Secretary of War:
J. E. BASTION, JR.
Colonel, GSC

[Enclosure]

War Department Staff Study

SECRET

[WASHINGTON, undated.]

THE PROBLEM

1. To outline War Department views on minimum U.S. forces which should be authorized for the accomplishment of occupation missions in Europe as of 1 July 1947 and 1 July 1948.

FACTS BEARING ON THE PROBLEM

2. *a.* As of 1 February 1947 the following armed forces were on foreign soil in Europe: (See Tab "A" ⁴⁴ for detailed tabulation)

United States	202,000
British	247,000
French	80,000
U.S.S.R.	1,110,000

b. The following factors in connection with U.S. troop strengths are pertinent:

(1) U.S. forces in Italy will be withdrawn when the Italian Peace Treaty comes into force. A total of 5000 troops will remain in Trieste for an indeterminate period.

(2) U.S. forces in Austria totalling 11,500 should not be reduced until after the conclusion of an Austrian peace treaty.

⁴² Tab "C" under reference here was a copy of document C.F.M. (46) (NY) 59, December 6, 1946, a proposal by the United States Delegation at the 3rd Session of the Council of Foreign Ministers in New York regarding the limitation of European occupational forces; for the text of the document, see *Foreign Relations*, 1946, vol. II, p. 1466.

⁴³ The Staff Study under reference here, dated November 21, 1946, is not printed.

⁴⁴ Not printed.

(3) Of the present 150,000 U.S. troops in Germany, approximately 38,000 are in AAF units. General McNarney, AAF and the War Department concur that this air strength could be reduced to between 8,000 and 12,000 without jeopardizing the occupation mission. The State Department, considering the overall situation in Europe, has been reluctant to see such a major removal of U.S. forces from Germany for fear it might be interpreted as partial abandonment of the U.S. occupational commitment and thus adversely affect the U.S. negotiating position in the conferences on Germany. Action is in progress to request the State Department to reconsider its position on this matter.

c. In connection with U.S.S.R. troops on foreign soil in Europe the War Department Intelligence Division estimates that some sizeable reduction will be effected by 1 July 1947. These reductions should be viewed with reserve because of the Soviet practice of retaining demobilized soldiers in civilian and quasi-military capacities in countries where Soviet troops are stationed.

d. Consultation between the War Department and the State Department in November 1946 during discussion of the question of reduction of Allied forces in Europe in the Council of Foreign Ministers resulted in the following U.S. proposal for troop ceilings: (See Tab "B" for War Department study furnished Mr. Byrnes and Mr. Cohen)

<i>Germany</i> (Allied Occupation)			
U.S.	—	140,000	
U.K.	—	140,000	
France	—	70,000	(approximate existing forces not subject to reduction in 1948)
U.S.S.R.	—	200,000	
<i>Poland</i> (Protection of Communication Lines)			
U.S.S.R.	—	20,000	
<i>Austria</i> (Aid for re-establishment of Independence)			
U.S., U.K., France, and U.S.S.R.	—	10,000 each	
<i>Hungary</i> (Protection of Communication Lines pending Austrian Treaty)			
U.S.S.R.	—	5,000	
<i>Rumania</i> (Protection of Communication Lines pending Austrian Treaty)			
U.S.S.R.	—	5,000	

DISCUSSION

3. During the past several months, War Department concern over budget and manpower restrictions has caused a concentrated effort to reduce U.S. forces in occupation areas to a "bed-rock" minimum which is consistent with the accomplishment of occupational objectives. In

November 1946, General McNarney advised the War Department as follows: "The occupation forces must be such as to provide the small amount of leeway to permit our governmental authority to operate in the event of a refusal or failure of the German people or quadripartite agencies to function, rather than be completely at their mercy. The ground strength (117,000 other than air for Germany and Austria) presently authorized for 1 July 1947 is the minimum which can accomplish the missions in the areas assigned." It is the view of the War Department that this force might be unable to maintain order in the event budgetary restrictions force a drastic reduction in the food which is supplied the German people. Assuming that conditions continue to be most favorable, however, some reductions in troop strength might be possible by abandoning or reducing such activities as:

- a. Commitment to displaced persons.
- b. Occupation of Austria.

Reduction of air strength in Europe will also reflect a minor saving in service type personnel.

General McNarney reaffirmed his position in a message to the War Department on 20 February 1947 that reductions in resources available to him below those presently planned could not be absorbed without jeopardizing his occupational mission.

4. Troops in Italy must be withdrawn within 90 days after the Italian peace treaty comes into force. It is assumed that the treaty will be ratified by the signatories and no discussion is believed necessary except to note a maximum of 5,000 troops from each the U.S., Britain, and Yugoslavia will automatically be available to the Governor in Trieste for a period of 90 days after he assumes office. These forces must then be withdrawn unless the governor requests their retention through the Security Council of the United Nations.

5. War Department Intelligence reports an increase in the Soviet practice of retaining demobilized soldiers in foreign countries in civilian or quasi-military capacities. These former soldiers are recruited into the Russian Secret Police, put in charge of cooperative farms, placed in responsible positions in industrial concerns, etc. All of these activities are largely controlled by the Kremlin and give the Soviets a degree of control disproportionate to the troop strength in such countries as Hungary, Rumania, Bulgaria, Finland, Austria, and Poland.

6. It is considered that Russia will correctly appreciate U.S., French, and British difficulties in maintaining sizeable occupation forces during peacetime. This appreciation will probably cause Russia to view troop ceilings as a stratagem on the part of the Western Powers to force a material reduction in Russian military strength in Europe,

while at the same time resulting in no real reduction in planned strengths on the part of the Western Powers. Another important factor is the Russian capability for rapid mobilization which puts her in a position to upset any agreed balance of force in Europe practically overnight.

7. This analysis is premised on continued occupation of Germany for a considerable period or until a treaty is concluded along the lines of the text of the U.S. Draft Treaty on the Disarmament and Demilitarization of Germany announced on 30 April 1946 and Mr. Byrnes' Stuttgart speech of 6 September 1946. It is considered that if such a treaty were concluded the troop strengths shown herein will still apply during the interim period until the treaty takes effect.

CONCLUSIONS

8. *a.* Conditions have not changed to allow a reduction in the troop ceilings for 1 July 1947 which should be provided for the Allies in the various European countries since the U.S. view was transmitted to the Council of Foreign Ministers in December 1946.

b. In the absence of unforeseeable difficulties these forces might be reduced by one quarter to one third by 1 July 1948. This reduction is subject to such earlier withdrawal from Austria, Rumania and Hungary as may be required by an Austrian treaty, and in the case of the U.S. would consist mainly of Air Force troops.

RECOMMENDATIONS

9. It is recommended that: A copy of this study be furnished to the Department of State for guidance in the forthcoming Moscow Conference.

740.0011 EW Peace/2-2747

Memorandum of Conversation, by the Assistant Chief of the Division of British Commonwealth Affairs (Richards)

[WASHINGTON,] February 27, 1947.

Participants: Secretary of State
The Australian Ambassador ⁴⁵
Mr. Stirling (Australian Minister)
Mr. Richards (BC)

The Australian Ambassador, accompanied by Mr. Stirling, Minister of the Embassy, called on the Secretary by appointment at 12:15 p.m. today. Mr. Richards of BC was present.

⁴⁵ Norman J. O. Makin.

The Ambassador stated that he had been instructed to call upon the Secretary to deliver a personal message from Dr. Evatt, Australian Minister of External Affairs, expressing the Australian attitude regarding the negotiations concerning the European peace treaties. The Ambassador stated that his Government was deeply concerned over the recent decision of the Council of Deputies which appeared to restrict the part to be played by the smaller powers in negotiation of the treaties and which seemed to be contrary to the expressed policy of both the United States and the United Kingdom. He stated that his Government felt strongly that all active belligerents in the war in Europe should take an active part on a democratic basis in negotiating peace treaties and urged that the Secretary use his influence to this end.

The Secretary received from the Ambassador a memorandum⁴⁶ setting forth the views of the Australian Government. The Secretary stated that he would give this memorandum and the statements of the Ambassador due consideration and that the Ambassador might rest assured that it was the intention of the United States to continue to urge that Australia and other active belligerents participate fully in the peace negotiations. The Secretary stated that he would support this policy in his conversations at Moscow.

The Secretary recalled with pleasure his war-time association with Dr. Evatt and asked that the Ambassador transmit his personal greetings to the Minister of External Affairs.

A[rthur] L. R[ICHARDS]

740.0011 EW Peace/2-2747: Telegram

*The Director of the Office of European Affairs (Matthews) to the Secretary of State*⁴⁷

SECRET
URGENT

LONDON, February 27, 1947—9 p.m.

1352. From Matthews. Accompanied by Murphy, I met with Harvey, Strang, and other Foreign Office officials working on Germany yesterday for an informal exchange of views on questions expected to arise at Moscow.

I made it clear that any views I expressed must be considered as purely tentative, since the various problems were still under study by

⁴⁶ The Australian Embassy memorandum under reference here, dated February 14, 1947, not printed, reaffirmed the view of the Australian Government that the procedure for the preparation of a German treaty should provide for the full participation in the negotiations from the outset for all substantial belligerents in the war against Germany. The memorandum also proposed that the Council of Foreign Ministers prepare a draft interim agreement incorporating the general nature of the eventual peace terms for Germany. Such an interim agreement would be revised and approved by a conference of governments which participated in the war against Germany (740.0011 EW Peace/2-1447).

⁴⁷ This telegram was sent via the facilities of the Embassy in London.

the Secretary and others in the Department. In general, neither Murphy nor I discovered any major differences between the British and ourselves. The British do not appear yet to have concluded their preparatory work, nor to have prepared texts for circulation to the CFM. There follows a summary of some of the points discussed. (My talk this morning on Mr. Byrnes' Four-Power treaty will be reported separately.)⁴⁸

1. *Provisional German Government.* The British do not seem to have given much thought to this other than the aspects covered by the establishment of German central administrative agencies. I outlined briefly and orally the thoughts contained in our paper on the subject, and they seemed to find our plan interesting and constructive.

2. *Laender.* British thinking on the number and areas of German *laender* is generally similar to ours.

3. *Future German Government.* While they do not seem to have thought out the structure in as much detail as we have, their ideas are similar to ours. They feel that the French plan for a confederation goes too far, and is not practical in a modern economy. They have so informed the French. They seem strongly opposed to any highly centralized Government such as the Russians wish. They were interested in our ideas for a bicameral legislature, but have not made up their mind on this. They said the French are opposed to any popularly elected national diet. The British agree that there should be no federal control over police or education, and likewise that the federal bureaucracy should be kept to a minimum. They have prepared a detailed study of a system of courts, and attach much importance to an independent, appointed judiciary removable only for cause similar to the British system. They agree with us generally that powers over foreign affairs, foreign trade, communications, finances, et cetera, should be granted the federal government are [garbled] similar to ours.

4. *Polish frontier.* I told them the general lines of our thinking, and they are pleased that we propose to seek a reduction of the existing areas transferred to Polish administration. They said that they would support us on this. (Previous indications given the Department that the British were prepared to accept the existing administrative boundary as permanent apparently did not originate with them.⁴⁹) I told them that our present thinking is that it might be preferable to leave the matter open for the time being if our proposals are not accepted.

⁴⁸ The reference here is to the Draft Treaty on the Disarmament and Demilitarization of Germany which Secretary of State Byrnes circulated to the 2nd Session of the Council of Foreign Ministers at Paris as document C.F.M. (46) 21, April 30, 1946. *Foreign Relations*, 1946, vol. II, p. 190. In telegram 1353, February 27, from London, not printed, Matthews reported that he had gone over the draft treaty with officers of the British Foreign Office who said that they attached great importance to the treaty and hoped the United States would push it at the forthcoming Moscow session of the Council of Foreign Ministers. (740.0011 EW Peace/2-2747)

⁴⁹ In the course of a conversation with Matthews on March 1, Foreign Secretary Bevin indicated that he had an open mind on the Polish-German boundary question and was prepared to support the American proposal to move the boundary further east.

5. *Dutch claims.*⁵⁰ The British are inclined to go along with a major portion of the Dutch claims, though not to grant their claims to certain coal mines.

6. *Belgian claims.* They consider the Belgian claim as a "minor rectification" which is well founded.

7. *Luxembourg claims.* They believe the Luxembourg claim considerably exaggerated, but might be inclined to grant a small area permitting a power plant near the Our River.

8. *Czechoslovak claim.* They favor granting some of the Czech claims on the theory that it would be inconsistent to grant rectifications to the western Allies and not to Czechoslovakia.

9. *Danish claim.* They wish to leave Schleswig frontier as it now is, and not to remove the German refugees or provide a separate administration.

10. *Austrian claim.* The British agree with us that Austria should be granted free transit rights across the Berchtesgaden salient, but that the area should remain in Germany.

11. *Saar claim.* While agreeing to accept the economic integration of the Saar into France, they do not agree that the additional territory should be included which the French have administratively embodied in the Saar. They might, however, accept some compromise with regard to the eastern part in view of the railway passing through it.

12. *Treatment of Germany as an economic whole.* Their views on this are similar to ours as well as on the measures required to implement it. They feel Russia and France should bear their share of the costs.

13. *Reparations.* They are opposed to reparations out of current production on grounds similar to ours.

14. *Coal.* They did not discuss the coal report other than to express some gratification at the recent increase in Ruhr production.

15. *The Ruhr.* Their views on the Ruhr have not changed since the drafting of their two proposals. They are firm against the establishment of any international control or supervision at the present stage. When such supervisory body is established, however, they believe that the Soviet should be included. They think that some troops should be stationed in the Ruhr, but not Soviet troops. They, therefore, favor during the post-occupation period, the establishment of national [units?] in various parts of Germany rather than quadripartite units. They feel that the French have "come part way" on the Ruhr, but do not find the French plan acceptable. They believe it carries Allied managerial functions down to an unworkable degree.

16. *Post-surrender acquisitions in Germany.* I outlined steps taken by the Soviet in this direction. While they seem equally disturbed, they do not appear to have given much thought to measures which should be taken. They do wish to insist on obtaining full information both as to past Russian removals and to Russian acquisitions in Germany.

Sent to Department as 1352, repeated to Berlin as 172, to Paris as 154.

[MATTHEWS]

⁵⁰ The territorial claims referred to in this and succeeding paragraphs of this telegram are summarized in the Report by the Deputies for Germany to the Council of Foreign Ministers, February 25, 1947, p. 40.

811.2340/2-1847

The Secretary of State to the Secretary of War (Patterson)

SECRET

WASHINGTON, February 28, 1947.

MY DEAR MR. SECRETARY: I have considered carefully your letter of February 18, 1947⁵¹ in regard to a proposed reduction of U.S. Army Air Force units in Europe.

I note that General McNarney has stated that purely from a military standpoint the requirement for air support for occupation forces in Europe is one fighter group and two troop carrier squadrons with ancillary units totaling 7,500 personnel. I also note that General Spaatz concurs in General McNarney's analysis, but desires to retain a total air strength of personnel varying from 8,000 to 12,000 to permit a degree of flexibility in the rotation of tactical units, including VHB units, from the United States to Europe for short training periods.

This matter has, as you know, been the subject of oral conversations between officers of the State Department and the War Department. I understand that, even if the orders for the withdrawal of air force units were issued at once, the actual withdrawal would not begin for a period of some weeks, probably not until sometime in May.

In all circumstances, I have no objection to the issuance of the necessary orders for this deployment along the lines of your letter. It is my hope that there will be no publicity concerning this movement and that it can be handled as a routine matter of administration.

Sincerely yours,

G. C. MARSHALL

860C.014/3-347

*Memorandum by the Polish Ambassador (Winiewicz)*⁵²

WASHINGTON, March 3, 1947.

As far as the problem of the Polish Western frontier (Oder-Western Neisse Line) is concerned, may I call your attention to the following additional observations:

⁵¹ *Ante*, p. 170.⁵² Ambassador Winiewicz delivered this memorandum to Under Secretary Acheson on March 3. Acheson's memorandum of his conversation with Winiewicz, dated March 3, not printed, read in part as follows:

"The Ambassador said that he had prepared a paper on the question of Poland's western frontier which he wished to present to the Department. He said he would like to have expressed these views to Secretary Marshall but he realized the pressure which the Secretary was under and he had therefore decided to present them in the form of a memorandum. He stated that he had prepared this personally and that it was therefore not an official statement of his government.

"The Ambassador stated that one of the principal points which he wished to make was the relationship between the territory which Poland had ceded in the east and the territory which Poland felt entitled to receive in the west. . . ." (860C.014/3-347)

1) When the Western territories were taken over by the Polish Administration they were both ravaged and depopulated for several reasons:

- a) some of the most violent military operations took place in these areas;
- b) the retreating Germans executed on a vast scale the dismantling and deliberate destruction of the transportation system, factories, power plants, mine installations, bridges etc.
- c) Nazi authorities carried out a compulsory evacuation of a large part of the pre-war German population, this affecting mostly able-bodied men and in particular, skilled workmen;
- d) large numbers of those not embraced by the Nazi evacuation plan fled of their own accord and from fear before the advancing Soviet and Polish armies.

The result was that, at the time hostilities ceased, these territories were inhabited probably by not more than three million persons, including over one million of the native Polish population, and the economy was at a virtual standstill.

2) Due to the energetic administrative and economic measures undertaken by the Polish Government. 3.5 million Poles have been newly settled in this area, the majority of them repatriated from territories east of the so-called Curzon Line, established at Yalta as the eastern Polish border. Thus the number of Polish inhabitants of these territories by the end of 1946 was close to 5 million. During 1947 another 1,150,000 will be settled there.

In fulfillment of the Potsdam Agreement, and in accordance with decisions of the Allied Control Council in Berlin, 1.5 million Germans were transferred from Poland to Germany proper by the end of 1946. About 0.5 million are still awaiting repatriation, which was suspended during the period of intense cold, to spare them the hardships of travelling under winter conditions, particularly distressing in a war-shattered country.

3) The last production figures for the newly acquired western areas of Poland indicate that the present monthly rate, as compared with pre-war level, reached:

in coal	70%
in iron ore	90%
in steel	60%

At the same time the Polish Administration succeeded in putting into operation in these areas 80% of the pre-war number of food-processing factories.

All these results were obtained at the cost of great efforts and large investments of capital. The achievements in all fields would have been

even greater, if it were not for the after-effects of the war still interfering with reconstruction and rehabilitation.

4) It should be stressed that the changes in Poland's frontiers, decided upon at Yalta and Potsdam, resulted in a shrinkage of Polish territory by about 20%. The density of population of post-war Poland (western territories included) was 200 per sq. mile, as indicated by the census of February 1946. This was higher than that of France, Greece, Spain, Yugoslavia, Ireland, Sweden, Norway and Finland. It has increased, however, considerably since the time the census was taken, due to repatriation of Poles from beyond the Curzon Line and of Polish displaced persons from the West. It will further increase during 1947, following the expected repatriation of 573,000 Poles from areas east of the Curzon Line and other parts of the Soviet Union.

5) The Polish nation having proved itself unquestionably capable of settling and rehabilitating the newly acquired lands, the preservation of the present Polish-German frontier will: render possible the settlement of the remaining Poles returning from the East, of Polish displaced persons and Polish soldiers demobilized in the West; stabilize economic conditions in Poland; enable Poland to raise her agricultural production to a level at which she will become once more, as before the war, a country exporting food, a fair amount of it going to Germany (never self-sufficient in that respect); speed up full recovery of Polish industry and mining, and export capacity, particularly in coal.

6) On the other hand, any attempt to readjust the present Oder-Neisse frontier would: wreck an already stabilized and integrated economic structure; result in enormous moral and material losses for Poland; necessitate new compulsory population movements, once more victimizing the Poles who have been already uprooted and displaced by the German occupants; increase the number of displaced persons in need of international assistance; finally, would be gravely detrimental to the whole economy of Europe, by severely affecting production, disrupting trade and exchange of goods, and bringing other harmful consequences.

740.0011 EW Peace/3-447: Telegram

*The Director of the Office of European Affairs (Matthews) to the Secretary of State.*⁵³

SECRET

PARIS, March 4, 1947—noon.

URGENT NIACT

963. From Matthews. I went over at some length with Chauvel and Couve de Murville yesterday various questions coming before the

⁵³ This telegram was sent through the facilities of the Embassy in Paris.

CFM meeting at Moscow. They seemed well informed of our view from reports of French Embassy at Washington. They had little to add on French position. They attach considerable importance to the Austrian Treaty and feel there is a fifty-fifty chance of completing it at Moscow. They believe the Soviet Govt really wants a treaty provided a satisfactory formula can be found on German assets. They agree with the British and with us that it is important for the Austrian deputies to start work immediately after the conference opens, particularly on the economic clauses. Even Gousev, they said, seemed agreeable.

They do not expect much agreement on German problems. They stress basic differences between Soviet position and US-British position on reparations; and on structure of permanent German Govt between US-French position and Soviet demands for high centralization.

On reparations they seem to have no firm position but are worried lest the Soviet plan for reparation from current production inevitably will result in building up Germany's industrial machinery potential contrary to French security interests.

They stressed the importance they attach to discussions on coal and insist that they must have some idea of longer range coal allocations. They say that unless they know this they cannot estimate possibilities for executing the Monnet plan and they must know where they stand.

They said they would support our four power treaty but like the British desire to see such matters as level of industry included in the supervisory functions of the Control Mission. They will, I think, likewise try to tie in the treaty with their proposals on the Ruhr.

They expect the conference to last a month.

Repeated London 192 and Berlin 86.

[MATTHEWS]

840.6362/3-647 : Telegram

The Acting Secretary of State to the Embassy in France

SECRET

WASHINGTON, March 6, 1947—1 p.m.

870. Following summary *aide-mémoire* delivered Dept by French Emb on instructions French Govt 3 Mar :

Start summary : In recent talks with Brit Govt French reps insisted that decisions be made soonest in Berlin recognizing French need coal. French stated their del Moscow instructed not to engage discussions Ger economy particularly any involving raising Ger level industry unless conditions of Ger coal deliveries to France had previously been

settled.⁵⁴ To facilitate solution Brit authorities considering setting up immediately commission of experts to examine on technical level general questions coal supply western Eur and to indicate conditions under which procedures for allocating Ger coal could be modified. Brit intend discuss with Matthews to obtain US agreement to new procedure which would enable three govts to reach conclusions on Eur coal supply prior to Moscow Conf.⁵⁵ French Govt urgently requests US to give favorable consideration to Brit plan. End summary. Riddleberger has full text.⁵⁶

Dept not previously advised any such proposal. Brit have not approached Dept and no info any approach to Matthews.⁵⁷

French Emb will be advised no word from Brit and obviously no time to carry out proposal prior Moscow meeting 10 Mar. Attention also called to presence on CFM agenda of report of ACC coal experts. Early discussion coal problem anticipated. USDel Moscow aware serious French coal needs and will give full consideration to them. Dept would have no objection prompt survey of coal requirements of Eur importing countries on technical level but suggests country reps at ECO best qualified on account continuous dealings Eur coal supply, requirements and allocations.

Recent forecast '47 Eur coal position made by MEA London. MEA being instructed cable summary to Paris, Berlin, Moscow and air pouch text forecast with Dept comments. Please advise USDel.

Sent Paris as 870, rptd London 1067, Berlin 498 and Moscow 399.

ACHESON

⁵⁴ Telegram 1023, March 7, from Paris, repeated to Berlin for the Secretary, not printed, reported that a French Foreign Office official had made the following comment in connection with the French coal problem and the Moscow Conference:

"If the United States could find a way to meet French views on German coal exports, he was certain that the French would find it possible to go along with United States' views on other German problems." (840.6362/3-747)

⁵⁵ Telegram 1049, March 10, from Paris, not printed, reported that the British had not spoken to Matthews regarding the matter under reference here (840.6362/3-1047).

⁵⁶ The full text of French *aide-mémoire* under reference is filed separately under 862.6362/3-347.

⁵⁷ Telegram 1534, March 10, from London, not printed, reported that the basis for the French *aide-mémoire* of March 3 was a British proposal which had been mentioned during recent British-French economic conversations in Paris. The British proposed a high-level study of the German coal position by American and British experts. The British did not believe that there should be French representation on such a joint US-UK expert group. The British proposal had been recommended to Foreign Secretary Bevin who, subject to his approval, would take it up in Moscow with Secretary Marshall. (840.6362/3-1047)

740.00119 Council/3-647

*Minutes of a Conversation between the Secretary of State and the President of France (Auriol)*⁵⁸

SECRET

[PARIS, March 6, 1947.]

After having welcomed General Marshall, personally and in the name of the French people, PRESIDENT AURIOL said:

"Monsieur Bidault, as you know, was obliged to leave for Moscow before you arrived, but I know you will see a great deal of him there.

"Actually France is faced with two grave problems: reconstruction and security. With your aid, the people of France have made considerable efforts. They must accomplish even more. The installation of our permanent democratic institutions, the agreement which exists among the different elements of our government, the efforts of Leon Blum and Ramadier, have allowed us to begin our uphill climb; but the French people are still subject to harsh privations which, if prolonged too long, could give birth to uneasiness, leading in the political realm to further uncertainty with grave consequences.

"Our problem, General Marshall, is coal. Our annual production is actually 50 million tons, which exceeds the production of 1938. At that time we imported 25 million tons: at the present time we no longer receive such importations. In 1946 we imported 12 million tons: 6 million from the United States and 6 million from Poland and Germany. In 1938 we had at our disposal 73 million tons; we now have only 61 million tons. To reach the total figures of 1938, which we need in order to exist, we must find 12 million more tons: to commence our work of reconstruction we need much more than this. Furthermore, I should add that we were able to produce 50 million tons of coal by utilizing labor furnished by prisoners of war. If this labor is taken away from us we must further increase our importations. The most modest estimate of our vital coal needs for this year is an importation from Germany of 500,000 tons per month, and for next year 1,000,000 tons per month. We do not wish to deal a death blow to Germany, but it seems to us that the figures I have just given only represent what equity calls for. It would be useful, I believe, to study the conditions necessary to increase the production of the Ruhr mines, and it seems to

⁵⁸ The source text is accompanied by a cover sheet from the American Embassy in Paris reading as follows:

"The following is a free translation of the French minutes of conversation between Secretary of State Marshall, and President Auriol and Monsieur Teitgen, Acting Foreign Minister, of France, which has been cleared by both, and text of which was only completed and given to us late this afternoon, March 8."

According to telegram 1036, March 7, from Paris, not printed, the Secretary of State, who arrived in Paris at 12:40 p.m. March 6, called on President Auriol and Acting Foreign Minister Teitgen at 6:30 p.m. The Secretary left Paris by plane for Germany at 2 p.m., March 7 (740.00119 Council/3-747).

me desirable that American and French technicians be consulted in this regard. The new formula of coal distribution recently adopted does not seem to have taken into account the promises which were made by the British Foreign Minister."

MONSIEUR TEITGEN, Acting Foreign Minister, then continued:

"The situation is actually as follows: our minimum coal requirements of German coal for 1947 are 500,000 tons per month, and we are actually receiving 235,000 tons. Germany is only exporting 10 per cent of its production and of that percentage France is only receiving 235,000 tons per month, which is less than half of our indispensable minimum requirements. In recent conversations, though it is true there were no formal engagements, it was understood that if (German) production was increased the percentage made available for export would also be increased. Production has increased, and we were hoping to have the allocation of coal to France increased in the same proportion. We have obtained an increase of 25,000 tons per month, making a total monthly allocation of 260,000 tons, which is entirely insufficient. (Teitgen added that allocations are already fixed for March, April and May.)

"In such conditions, the problem is a vital political question for France. Our entire reconstruction is in the balance. The future of our country can depend on the negotiations being conducted regarding Germany. If essential dispositions are not taken in time, Germany will be restored much more quickly than France. This question of French reconstruction and of German reconstruction dominates, in my opinion, the political picture. If we were to receive precise guarantees on coal, the political problems themselves would perhaps appear to us more simple. (Teitgen's remark actually was: 'If the United States could find a way to meet French views on German coal exports, the French would find it possible to go along with the United States views on other German problems'.)

"It is for this reason that the French Government instructed Bidault, who represents France at Moscow, to raise the question of coal before considering the other political and economic problems concerning Germany.

"Such is the French situation in so far as reconstruction is concerned. This question is not a purely French problem, but exists for all Europe. In all equity, Germany should not be reconstructed before France and the other countries that it ravaged. I will add that a strong France is indispensable to Europe and the world, a France surrounded by members of the French union, and I should like to say in passing that I formulate the wish that as a result of the efforts which we have made to create democratic and fraternal ties between members of this same

family (French Union), to see disappear the difficulties in this regard which have arisen in the organization of the United Nations."

THE PRESIDENT (Auriol), who (said he) did not want to refer in detail to the various memoranda given by the Foreign Minister to the diplomatic representatives of the Governments of the United States, of the United Kingdom and of the Soviet Union concerning the future organization of Germany and of the Ruhr, reminded General Marshall of the unanimous agreement reached in the French Parliament concerning these documents and concerning French foreign policy in general. He said he would limit himself, if he might, to a reference to his already ancient recollections as a statesman:

"I must admit", said the President of the Republic, "that in 1919 I believed in the strength of democracy in Germany, and, a Socialist myself, I believed in social democracy. I was convinced that a democratic spirit could develop in vanquished Germany. Nothing came of it. I would not like us to make the same mistakes once again. Doubtless the Versailles Treaty specified that weapons of all kinds would be turned over to the Allied powers and reports of Marshal Foch and of General Nollet had allowed room for some optimism. The German armed forces for the (German) territory as a whole had been reduced to 100,000 men. This figure was soon increased to 200,000 men by the SPA decisions. Weapons, most of them, under pressure of the Control Commissions, were surrendered but Germany, preserving her industrial potential, was nevertheless capable of building modern and efficient weapons. Adopting the theories which Jean Jaurès had expressed in *The New Army*, the German staff taught the small army at its disposal and turned it into a remarkable cadre of officers. At the right moment the Third Reich found troops which had received their physical training in sport clubs and in youth organizations, troops whose morale had been built up in the German schools. At the opportune moment the industrial trusts and the banks gave their support to the spirit of revenge and aggression which smashed democracy. A Germany, stronger than ever, had sprung up from the Treaty of Versailles. It is no longer possible to leave Germany the possibility of using similar methods and of transforming tomorrow its police forces into instruction cadres and to rebuild its military potential. We consider (continued the President) that centralized power in Germany constitutes a real danger for peace in the constitutional period. It is not necessary to refer to the Weimar Constitution and to where this constitution led Germany. Federalism could be a remedy to the danger of centralization. It is not possible for the security of Europe to leave the Ruhr in the hands of industrial magnates. Only international control could remove this danger. M. Georges Bidault will go into greater

detail, but it was appropriate that I should point out the lessons gained from a bitter and painful personal experience and from the aggression of a nation which can once again think of revenge tomorrow."

GENERAL MARSHALL then spoke. He first took up the question of coal.

"I am happy to be here", said the Secretary of State. "I came to Paris purposely to obtain first hand information concerning the situation of France, the state of her economy and of her reconstruction and to gather also at first hand information concerning the reorganization of Europe. Many things which I shall tell you, Mr. President, I have already said to the Prime Minister a half an hour ago.

"I would like you to be convinced that I realize perfectly well the critical character of the present situation. I know that France wishes to secure that efficient tranquility which would permit her to restore her economy. I will not go into any details, Mr. President. I intend to meet with General Clay in Berlin, to inform myself concerning the coal problem in Germany and in France. I trust, Mr. President, that you not lose sight of the fact that I fully appreciate the privations and the sufferings of the people of France and the consequences which may result from them. I spent two and one-half years in France myself during the First World War. Two of these years before joining General Pershing I spent in the country side by side with artisans, workers and peasants. I was able to gauge the work of destruction wrought by the Germans and the sufferings and the courage of the French population. I was in France some while back during the recent battles and once again I saw German destruction and French suffering. During the entire occupation of your country, Mr. President, and within the field of the responsibilities which had been assigned to me, the liberation of France was my great concern. I can tell you without boasting that among the men who are not Frenchmen I know as much as anyone else about the sufferings of this country, about its present situation and its worries. It is through my own personal experience that I look at your problems perfectly conscious of the situation wrought in France through the fault of Germany.

"I come back to the question of coal. I want to be informed about this. I was happy to obtain directly your views on this matter. I would like to say that I shall give it my full attention.

"As you just did a few moments ago, Mr. President, I am taking the liberty to refer to the political reactions to which you have alluded. We, representatives of the American Government, must take into consideration the situation of the occupied nations as well as of the liberated nations. It is a question of finding a balance between the urgent needs of France and the urgent needs of Germany. There is the

question of avoiding that the United States of America be compelled to continue paying the heavy contributions which Germany is now costing the American taxpayer. The situation is the same in Japan. The problem is not an easy one for in addition it is a question of finding a happy balance between these political and economic considerations and the political situation within the United States.

"I must therefore size up, with precision, France's situation and gather information from our representatives in Germany.

"I must be able to inform American public opinion in order to justify what we shall decide to do. In France there are very direct reactions towards Germany—reactions which are not easy to guide from a governmental point of view. I realize that this state of affairs renders difficult any satisfactory solution.

"I can assure you, Mr. President, that I shall forget nothing of what you have told me and more particularly of what you have told me concerning the problem of coal. I shall take it up at once with our representatives in Berlin. It is an urgent question which belongs to today and not to tomorrow.

"I now come to the problem on security. The President of the Council of Ministers reminded me of France's painful experiences.⁵⁹ The Government of the United States places vital importance on the question of providing for security until the organization of the United Nations becomes sufficiently strong. We believe that security lies in a treaty signed by the four major powers. Any regional agreement such as the one which has been signed recently at Dunkirk must, we believe, come within the framework of a wider security. It is this basic security that a treaty between the four powers could insure. This treaty implies the commitment of the American Government, which means a complete change of American policy when compared to the events which followed the First World War. Rather than separate proposals, it would be desirable to have such a document define the control clauses over German war potential and establish the broad principles of disarmament and of demilitarization.

"I know what happened after Versailles. I was placed in charge of a school with 400 officer students, most of whom have since taken part as officers in high command, in the liberation of your country. At that time we could know nothing of what was going on in Germany: the War Department had no information on the subject. I decided to send

⁵⁹ Secretary Marshall had a forty-minute meeting with French Premier Ramadier just prior to his conversation with President Auriol. A translation of the French minutes of the meeting with Ramadier were sent to Secretary Marshall by Ambassador Caffery on March 17, 1947 (711.51/3-1747). In his conversation with Ramadier, Marshall emphasized the importance the United States placed in the strengthening of the United Nations and in the conclusion of the proposed Four-Power treaty on German disarmament.

to Europe some of my professors on their vacations. One of them visited von Blumberg, who was in command in East Prussia. This officer brought back to us information which left no doubt as to the intensive development of German aviation. This was later brought to the world's attention by the Lindbergh visit to Germany and attendant publicity. That was in 1931. All of these military visitors agreed as to the military training to which German youth was subjected and as to the use of the methods about which you have just spoken: the Germans were training 100,000 officers. I know these German methods: just like compulsory military service, they date back to the Napoleonic wars.

"Mr. President, once again I come back to the necessity of guaranteeing security. An agreement is needed which offers reasonable guarantees and which can assure lasting peace in Europe: and that agreement is to be found in the Four Power treaty. I am not a diplomat: I mean exactly what I say and there is no use trying to read between the lines because there is nothing to be read there."

740.0011 EW Peace/2-1847

*The Acting Secretary of State to the Mexican Ambassador
(Espinosa de los Monteros)*

WASHINGTON, March 6, 1947.

MY DEAR MR. AMBASSADOR: Before his departure for Moscow, Secretary Marshall asked me to communicate with you in his absence regarding your visit to his office on February 18 last.⁶⁰ At that time you inquired, on behalf of your Government, whether my Government would support, in the Council of Foreign Ministers, the claim of the Mexican Government that it should be invited to participate in the making of the peace treaty with Germany. You will recall that you left with Secretary Marshall a memorandum⁶¹ embodying your Government's inquiry, and that he said he would look into the matter immediately and give you this Government's answer.

Since your visit, the Department has instructed the American Ambassador in Mexico, D.F., to acknowledge on behalf of the United States Government the Foreign Office memorandum of January 16 last,⁶² in which this inquiry was first made. The American Ambassador

⁶⁰ The memorandum of conversation covering this visit is filed separately under 740.0011 EW Peace/2-1847.

⁶¹ The memorandum under reference here, dated February 18, 1947, not printed, is also filed under 740.0011 EW Peace/2-1847.

⁶² The memorandum under reference was transmitted to the Department as an enclosure to despatch 2556, January 27, 1947, from Mexico City, neither printed (740.0011 EW (Peace)/2-2747).

was instructed⁶³ to make his acknowledgment in the following terms:

1. The Department has received the Memorandum.
2. The Council of Foreign Ministers, at its session in New York in 1946, decided to appoint deputies for Germany and instructed them to hear the views of governments of Allied States neighboring Germany and of other Allied States which participated with their armed forces in the common struggle against Germany, should these governments wish to present their views on the German problem. These deputies are now meeting in London. As the Ministry for Foreign Relations has noted in its Memorandum, the Council of Foreign Ministers left open the question of holding a peace conference.
3. The Government of the United States agrees that Mexico should be allowed to participate in the making of the treaties for Germany and Austria.
4. The United States will make its position in this respect known to the other powers represented on the Council of Foreign Ministers.
5. The opposition offered by the Union of Soviet Socialist Republics to the proposal of the United States, that Mexico should participate in the negotiations for a peace with Italy, gives no grounds for assurance that all the other powers represented on the Council of Foreign Ministers will agree to Mexico's participation in the peace arrangements for Germany and Austria.

Sincerely yours,

DEAN ACHESON

760H.6315/3-647: Telegram

The Chargé in Yugoslavia (Cabot) to the Secretary of State

SECRET

BELGRADE, March 6, 1947—9 a.m.

217. Made courtesy call on Foreign Minister⁶⁴ today. In course of general conversation we came to Yugoslav claims on Carinthia. Minister mentioned that Nazis had built 2 dams on Drave immediately above frontier and thereby reduced electric output of Yugoslav dams below frontier to 3 percent of capacity.

Yugoslavs have been conducting vigorous propaganda campaign locally in favor of their claims. They have at least 2 strong points in their favor, 1, sections of the area undoubtedly have Slovene majorities, 2, Austria can scarcely claim as good record as Yugoslavia in fighting Axis aggression.

Plebiscite after last war of course weakens Yugoslav claims. Nevertheless as means of countering Yugoslav assertions that we always favor their adversaries even if ex-enemies, Department might wish to consider possibility either of accepting new plebiscite (which would probably go against Yugoslavia) or of ceding small area containing

⁶³ In instruction 867, February 27, 1947, to Mexico City, not printed.

⁶⁴ Stanoje Simić.

Nazi dams which if Simić informed me correctly are on territory close to frontier with Slovene majorities. This would correct apparent Nazi injustice to Yugoslavia.^{64a}

Repeated Moscow 7, Vienna 8.

CABOT

Editorial Note

On March 8, 1947, Senator Vandenberg called on Acting Secretary of State Acheson and proposed that American ratification of the peace treaties with Italy, Bulgaria, Hungary, and Rumania be withheld pending the signing of an Austrian treaty. It was the view of the officers of the Department of State, subsequently fully endorsed by Secretary Marshall, that Senator Vandenberg's proposal was inadvisable for a number of reasons.

B. RECOMMENDATIONS ON CONFERENCE SUBJECTS

740.00119 Council/1-2447

Memorandum of Conversations, by the Assistant Chief of the Division of Central European Affairs (Lightner)

SECRET

[WASHINGTON,] January 24, 1947.

Participants: Mr. Benjamin V. Cohen
 Gen. John H. Hilldring
 Mr. Willard L. Thorp
 Mr. H. Freeman Matthews
 Mr. Charles E. Bohlen
 Mr. E. Allan Lightner, Jr.

Three meetings were held in Mr. Cohen's office on January 22 and 23 to discuss the preparatory work for the CFM meeting in Moscow on March 10 with the object of deciding on specific studies and recommendations which should be prepared in the Department as soon as possible. It was agreed that papers on the following subjects should be prepared (this list is not intended to be a complete list) :

1. U.S. proposal for presentation to CFM on the Polish-German frontier, with memo giving supporting background.
2. Statement of U.S. position on other boundary questions.

^{64a} Telegram 154, March 20, to Belgrade, not printed, replied to this message as follows:

"For urinfo position of US on Austrian frontier formulated at time of Moscow Declaration 1943 stated that no change would be made in frontiers existing in 1937. This position consistently upheld since that time and is supported by Brit and French. US Deputy at London stated with Brit and French concurrence that plebiscite in 1920 had settled question and no major changes had taken place since that time." (760H.6315/3-1447)

3. Statement of U.S. position on reparations, particularly the Soviets' desire for reparations from current output.

4. U.S. proposal for presentation to CFM on organization of the central government, to ensure the maximum degree of decentralization consistent with the need for a viable economy for the whole country (central administrations in certain agreed economic fields); also memo giving supporting background.

5. U.S. proposal for presentation to CFM on control machinery in the period after the end of the occupation—inspection system and security troops required to carry out inspection tasks.

6. U.S. proposal for presentation to CFM on reduction of forces of occupation prior to the establishment of the German government (A-H).

7. Outline of Peace Treaty; treaty headings and, if possible, draft provisions.

Territorial Questions.

With respect to the Polish-German border it was felt that it might be a mistake in tactics to reach a decision on the frontier until we see what the rest of Germany looks like. At the same time it would be well for the U.S. to come forward with a concrete suggestion. We should make it clear that the frontier should not be settled purely on grounds of Poland's national prestige but on solid economic grounds as well. Our proposal should take into account the fact that the U.S. favors territorial compensation to Poland but that it is also important that the food producing areas of northeastern Germany must not remain fallow while Europe is starving. Information should be obtained with regard to what the Poles have done with the area under their administration. The question should be approached on the basis of a revision of the Oder-Neisse line rather than as a new proposal based on Poland's old borders.

A paper should be prepared for presentation to the CFM setting forth a U.S. proposal for the Polish-German frontier. Alternative proposals, which we might fall back on in bargaining with the Russians, should be prepared, together with supporting data. Another paper on the U.S. position on other boundary problems should be available, although it is not expected that the U.S. will initiate any proposals on these questions.

Reparations.

In considering the Soviet desire for reparations from current output we must start from the premise that we should adhere to the agreement already reached at Potsdam, which does not envisage reparations from current production. If we should make any compromise at all on this point we should only do so in return for something else which would help to improve the situation in Germany, and then only if the reparations from current output are limited in amount and short in

point of time. We should also propose that the Level of Industry Plan⁶⁵ should be reexamined, not in connection with reparations from current production but because we consider the plan too low based on the standards of the Potsdam Agreement itself. At Moscow we should make it clear that we are not holding up deliveries of capital equipment merely for bargaining purposes, that we are eager to go ahead as soon as possible but that we need to know whether Germany will be treated as an economic unit. In any case we should not resume deliveries of capital goods before the Moscow meeting.

The bargaining on reparations matters will, of course, be closely linked with the question of economic unity. Thought should be given as to what we mean by economic unity. It will not depend on a paper agreement but on how it is carried out, particularly how the Russians and French carry it out. We must be careful to see that if we get agreement on economic unity it does not result in political centralization. Probably the French would have no objections to economic unity if we convinced them that we insist on a decentralized political structure for Germany such as a confederation of states. The important goal, not to be lost sight of, is to get a Germany which will be integrated into Europe.

A paper should be prepared on reparations problems, particularly our position on reparations from current production.

Structure of the German Government.

The U.S. favors decentralization with large powers in the *Laender* governments. We must clarify our thinking on the details. How many *Laender* should there be? Would a federal state be composed of these *Laender* or should the *Laender* be grouped into larger units in order to reduce the number of units participating in the central government? These questions can hardly be decided until we know what the structure of Germany will be. To what extent can a confederation of states meet the economic problems of a modern state? We must examine this question in detail, indicating what powers will be given to the component states and what powers to the federal government. Will the legislative organ take the form of a *Reichstag* or a *Bundestag*? In any case there should be no central control of education and police (interior). There may have to be central control of such things as the post office, telephones and railways. The power to tax is a more difficult question. A compromise solution will have to be worked out in order to reconcile economic needs with our concept that politically

⁶⁵ For the Level of Industry Plan for Germany as approved by the Allied Control Council for Germany in March 1946, see Department of State *Bulletin*, April 14, 1946, pp. 636-641 or *Documents on Germany Under Occupation 1945-1954*, selected and edited by Beate Ruhm von Oppen (London, New York, Toronto, Oxford University Press, 1955), pp. 113-118.

Germany should consist of a loose federation. Political checks must be supplied on economic power where such power is centralized. At Moscow firm agreement on these matters may not be possible but it is hoped that some sort of directive can be agreed upon for the deputies.

A paper should be prepared for presentation to the CFM describing the organization of the central government, which shall be decentralized as far as possible and yet still provide for the central economic controls required in a modern state. An accompanying memo should present background material. A cable is expected from Dr. James K. Pollock, who is now on a mission to Berlin, outlining his views on this subject.

Control of Ruhr Industries.

Concrete plans should be advanced as to what we mean by control of Ruhr industries. Presumably we will support the second British plan on the control of the Ruhr but we should emphasize that the controls to be established should be truly economic ones, within well defined limits, rather than political controls. The question of Russian participation is important and no arrangements should be agreed upon or proposed which would permit any Russian representatives to take part in operational control. There should be no danger in Russian participation if they are not permitted to exercise a veto and if the powers of the commission are well defined.

The Ruhr problem involves the question of inspection and controls, not only for that area but for all of Germany, as a means of enforcing the proposed treaty for the disarmament and demilitarization of Germany. We should sketch out how the inspection corps or security forces will work in the period after the end of the occupation. The CFM should endeavor to frame directives for the deputies on this subject.

A paper on such control machinery for presentation to the CFM should be prepared; it should deal with the inspection system and the token forces required to support it. Proposals regarding the security forces, the tasks which they are to perform, where they will be stationed and the numbers to be employed should be worked out with the War Department through General Hilldring's office. A memo giving background discussion to support the U.S. proposals should also be prepared.

It would also be useful to present at Moscow a paper urging the reduction of forces during the period of occupation. This would entail agreement with the other occupying powers in order that the forces be reduced proportionately in all zones. The U.S. would favor drastic curtailment, as for purposes of security vis-à-vis the German population only a small number (35,000 or 40,000) are now believed to be necessary. A paper on this subject would be useful.

Draft Peace Treaty.

It was felt that if the personnel situation in the Department makes it possible, work should be started on the first draft of the Peace Treaty. At least thought should be given to the matters to be covered. An outline of treaty headings might be started, perhaps in DRE. The Delegation at Moscow should be prepared to present treaty headings and possibly even a tentative draft treaty.

Note: It was pointed out that the preparation of the papers discussed above was urgent and that Mr. Riddleberger (CE) should be responsible for seeing that they were ready at the earliest possible date.

CFM Files : Lot M-88 : Box 57

Policy Papers Prepared by the Department of State

SECRET

[*Editorial Note:* The entire collection of policy papers and recommendations, including all appendices and supplements, is included in a volume entitled "State Department Briefs for Moscow—1947". A second partial set of the same papers is entitled "Working File of Documents Used at CFM (Moscow) 47". With one exception these papers were presumably prepared in the Department during February 1947. The letter identifications and titles appearing here are those of the source texts. For the comments on these papers by the Office of Military Government for Germany, March 5, 1947, see pages 223 and 229.]

A. PLAN FOR ESTABLISHMENT OF PROVISIONAL GERMAN GOVERNMENT X

The Allied Control Council is instructed to take the following action for the formulation of a provisional German Government:

1. Establish a German national council as a provisional government to be composed of those heads of governments of the *Länder* who are democratically responsible to their respective State assemblies. Members of the council may be represented by deputies who shall be under the instructions of the members. Decisions of the council shall be taken by majority vote.

2. The powers and functions of such provisional government shall be:

- (a) The council shall be given control over German central administrative agencies to be established in the fields of finance, transport, communications, foreign trade and industry. In these fields, the

council shall exercise legislative power. The chiefs of executive agencies established in these fields shall be instructed to act only in conformity with laws, decrees and other regulations or directives given them by the provisional government.

(b) The council shall appoint and dismiss the chiefs of the German central administrative agencies subject to the approval of the Allied Control Authority.

(c) The laws and regulations enacted by the council shall become valid unless disapproved by the Allied Control Council. The German central administrative agencies will be appendages of the National Council and the Allied Control Authority will refrain from direct interference in their activities.

(d) Whenever *Länder* agencies continue to operate in matters under the jurisdiction of a central administrative agency, they shall be brought under the executive authority of the administrative agency and the legislative authority of the German National Council. However, delegated administration shall be resorted to as far as possible. In cases where a State authority contests such jurisdiction the Allied Control Council will decide the issue.

(e) The council shall be given such other functions as may be conferred upon it by the Allied Control Council.

Recommendation

It is recommended that this proposal be submitted to the CFM.

Attachments

Draft directive to ACC on Establishment of a Provisional German Government.⁶⁷

B. PLAN FOR ESTABLISHMENT OF LÄNDER IN GERMANY

The Allied Control Council is instructed to establish in Germany an appropriate number of *Länder* upon which a Federal German State could be established. The liquidation of Prussia as a German *Land* is of course authorized. The ACC is further instructed to retain as far as practicable the historic and traditional boundaries of former States or of Prussian provinces. Enclaves should be eliminated.

The following list of proposed *Länder* is inserted as a guide for the Allied Control Council:

1. Bavaria (except the Bavarian palatinate—see below under Baden);
2. Württemberg;
3. Baden (including the Bavarian palatinate but excluding the Saar);
4. Hessen (the three regions of Hessen, Kurhessen, Nassau-Hessen);

⁶⁷ For the Draft Directive as circulated to the Council of Foreign Ministers on March 21, 1947, see *Germany 1947-1949: The Story in Documents*, Department of State Publication 3556 (Washington, Government Printing Office, 1950), p. 189, or Department of State *Bulletin*, March 30, 1947, pp. 569-570.

5. Rhine Province;
6. Westphalia;
7. Lower Saxony (including Hanover, Brunswick, Oldenburg and Lippe);
8. Schleswig-Holstein;
9. Thuringia;
10. Saxony (the former Land Sachsen, including part of Silesia);
11. Middle Germany (Halle-Merseburg, Province of Saxony and Anhalt);
12. Brandenburg;
13. Mecklenburg (including part of Pomerania);
14. Berlin;
15. Hamburg;
16. Bremen.

Additional territory to these *Länder*, or possibly additional *Länder*, may be considered by the ACC, but only to the extent that the Eastern frontier of Germany is revised.

The proposed *Länder* are illustrated as shown on the attached map, together with appropriate statistical data.

Recommendation

It is recommended that the U.S. propose the creation of German *Länder* in accordance with the attached list.

C. STRUCTURE OF THE FUTURE GERMAN GOVERNMENT

The Allied Control Council is instructed to inform the provisional German Government when it is constituted of its obligation to draft the text of the new German constitution. It will likewise inform the provisional German Government that Allied approval of the constitution will depend upon the fulfillment of the following conditions:

- (a) That Germany be a democratic State;
- (b) That Germany be a Federal State;
- (c) That Germany have (i) a Federal Council composed of representatives of the *Länder*; (ii) a Federal diet elected by universal suffrage with each *Länder* prescribing the methods of election and exercising control over electoral machinery;
- (d) That the two houses of the legislature have an equal share in legislation;
- (e) That the head of the German State be elected by the Federal Council from among its members in annual rotation. The head of the State would appoint an appropriate number of ministers. The head of the State would resign in case of a vote of non-confidence by the Federal diet;
- (f) That there be a Federal Supreme Court as a constitutional court for the settlement of disputes between the Federal government and the *Länder*, and between the *Länder*. The Federal constitution and law shall, however, be enforced in the first instance by the *Länder* courts with appellate jurisdiction in the Supreme Court to assure uniform jurisprudence in Germany.

(g) That the constitution safeguard the democratic character of the *Länder* and local self-government;

(h) That the constitution contain a bill of rights ensuring effective guarantees for individual rights and liberties;

(i) That the *Länder* retain jurisdiction in the following fields: (i) administration of justice; (ii) police; (iii) internal administration; (iv) public welfare; (v) culture and education; (vi) religious affairs; (vii) such foreign relations as are necessary to implement the foregoing; for example, religious concordats.

(j) That where the Federal government exercises jurisdiction, it should wherever possible delegate the administration to the *Länder* (*Auftragsverwaltung*).

D. THE POLISH-GERMAN FRONTIER: PROPOSAL OF U.S. GOVERNMENT

A. *The Problem*

The Potsdam Protocol assigned to Poland the administration of former German territory east of the Oder-Neisse line (exclusive of the Koenigsberg district of East Prussia) pending the final settlement of the Polish-German frontier, which now remains to be determined.

This area under Polish administration has been *de facto* incorporated into Poland and is not subject to the Allied Control Authority for Germany. Most of the German population has been removed to Germany west of the Oder-Neisse line, and the land has in fact been resettled by Poles (4,320,000 according to a recent official Polish statement).

The United States is not committed to the cession of this particular area to Poland. It is committed to a revision of the former Polish-German frontier in Poland's favor. In offering a specific proposal for the delimitation of the frontier between Germany and Poland this Government is influenced by the paramount consideration that, in the interest of a peaceful and lasting settlement, justice be done both to Poland and Germany.

To Poland it is only fair that some compensation be made for her territorial losses east of the Curzon line and for the severe damage and suffering inflicted by the German armed forces upon the Polish nation. For her economic well-being Poland is rightfully entitled to additional industrial resources and to more adequate sea frontage and port facilities. And there should be no restoration of the Polish "corridor" which proved a menace to international stability and security.

For Germany it is of critical importance that her agricultural resources, seriously reduced by the Oder-Neisse line, be enlarged by a restoration of some of the food surplus area lying east of this boundary. The danger of requiring an eventual German population in excess of 70,000,000 to live within an area of 142,000 square miles which falls far short of self-sufficiency in food supply, is apparent. Moreover it

cannot be denied that much of the region in question has for centuries been indisputably German, historically and ethnically. It would be difficult to oppose the universal desire of all democratic German parties for revision of the present *de facto* frontier on grounds of justice and to do so would create a powerful irredentist sentiment and strengthen the forces of extreme nationalism.

B. *Proposed Frontier*

The United States proposes the following as the most satisfactory settlement of the Polish-German frontier :

1. Cession to Poland of East Prussia (except for the Koenigsberg district, as defined in the Potsdam Protocol, whose cession to the U.S.S.R. this Government approves), Danzig and German Upper Silesia (Oppeln district).

2. Establishment of the Polish-German frontier from Upper Silesia to the Baltic Sea at a line following the 1919 boundary from Upper Silesia to the confluence of the Netze and Draga rivers just west of Kreuz, thence to Neuwedell, and from there to Dramburg, and west of Belgard to the Baltic sea just east of Kolberg.

In addition to the territories mentioned in (1) this line would assign to Poland a substantial part of Pomerania. To Germany it would give Lower Silesia, Eastern Brandenburg and the major part of Pomerania.

For Poland this settlement would mean the addition in the west and north (to its 1937 area) of about 21,600 square miles, which had in 1939 about 4,200,000 inhabitants. The Polish-German boundary north of Upper Silesia would be straightened and shortened by 130 miles. Poland's sea frontage would be broadened to about 200 miles. The Polish economy would be strengthened by the acquisition of the valuable industrial and mineral zone of Upper Silesia and the developed agricultural areas of East Prussia and Eastern Pomerania. Poland would possess two important seaports in Gdynia and Danzig (Gdansk). The new frontier north of Upper Silesia would run through a moderately populated region, and thus would not give rise to serious economic and communications problems. The territory gained by Poland would be sufficient to meet her needs for additional food resources and resettlement.

For Germany this settlement would mean the addition (to her present *de facto* area of 142,000 square miles) of about 18,600 square miles whose 1939 population was approximately 4,800,000. This accession of valuable agricultural land, formerly a major source of food for western Germany, and a well developed industrial area in Lower Silesia, would go far to meet Germany's pressing requirements for food and resettlement. It is believed, also, that the democratic forces

in Germany would be ready to accept this proposal as an equitable solution of the problem of Germany's eastern frontier.

Recommendation

It is recommended that the Secretary consider the proposed frontier as a possible American position at Moscow, but not necessarily advance it as an American proposal initially.

If it be decided to advance an American proposal for a revision of Germany's Eastern frontier, it is recommended that it be based upon the argument of the necessity of full utilization of the land in that area. To ascertain the facts on the expulsion of Germans and resettlement by Poles, the U.S. might suggest that a commission of investigation be established to report subsequently to the CFM on the utilization of the agricultural resources of the territory ceded to Polish administration.

E. GERMAN BOUNDARY PROBLEMS (OTHER THAN THE POLISH-GERMAN BOUNDARY)

I. GENERAL STATEMENT

Most of the Governments who have submitted claims for territorial acquisitions from Germany have based their claims on their right to receive compensation for damages done to their countries by Germany during the war. They have accompanied their territorial demands with other specific economic demands. They apparently mistrust Germany's readiness to make good the damage done by any means other than the sacrifice of tangible assets controllable and workable by the injured parties. This attitude probably also reflects the belief that they are not likely to obtain very much compensation from Germany through reparations. In several instances historical reasons are advanced as justifying transfer of territory, usually dating back to the situation before the Treaty of Vienna (1815). The claims are not presented as annexationist in the old-fashioned chauvinist sense (in some cases the governments indicated that they are opposed to annexation in principle), but whatever the grounds advanced the claims are not inconsiderable.⁶⁸

II. FRENCH CLAIMS

A. THE SAAR

Present Status of the Problem

The French have demanded that the Saar be integrated with the economy of France. They have not demanded that it be formally an-

⁶⁸ Regarding the claims made by the Allied states for the rectification of their frontiers with Germany, see the documentation on the meeting of the Deputies for Germany in London, January-February 1947, pp. 1-112.

nexed to France and it is not clear what special political status they propose for the Saar.

The French have already taken steps to separate the Saar economically from Germany and have instituted customs and monetary controls for this purpose. Its administration is separate from the rest of the zone. The French have also unilaterally extended the borders of the Saar territory, incorporating the districts of Saarburg and Wadern, thus extending the Saar up to the Luxembourg frontier along the Moselle.

Position of the Other Powers

Great Britain. Mr. Bevin declared in a speech on October 22, 1946 that the British Government was prepared to accept the French proposals about the Saar "subject to necessary adjustments of the French reparations balance and the delimitation of the exact area."

The U.S.S.R. No official statement has been made regarding the Saar, although in general the Soviets have indicated that they do not favor frontier changes in the West.

In his Stuttgart speech of September 6, 1946,⁶⁹ Mr. Byrnes explained the United States position on the Polish-German frontier on East Prussia and on the Saar. He then stated that "except as here indicated, the United States will not support any encroachment on territory which is indisputably German or any division of Germany which is not genuinely desired by the people concerned." In view of this commitment it is believed that the United States should seek agreement on the principle that, with the exception of the questions of the Polish-German frontier, East Prussia and the Saar, no territorial changes shall be made unless they can be demonstrated to be minor "rectifications" or "improvements" in the frontier, or to be desired by the local population in the districts concerned. If more than minor frontier rectifications are permitted,—by recognizing the principle of transferring German territory as compensation for war damage,—the problem will be greatly complicated as those countries which have submitted moderate claims have expressly reserved their right to submit additional claims. (The Polish-German frontier question is discussed in another paper).⁷⁰

The United States. In his Stuttgart Speech on September 6, 1946, Mr. Byrnes stated that France's claims to the Saar territory, "whose economy has long been closely linked with France", should not be denied. In a personal letter to M. Bidault on October 14, 1946,⁷¹ Mr.

⁶⁹ Secretary Byrnes' speech is printed in the Department of State *Bulletin*, September 15, 1946, pp. 496-501 as well as in a number of other Department publications.

⁷⁰ *Supra.*

⁷¹ *Foreign Relations*, 1946, vol. v, p. 621.

Byrnes reaffirmed his position regarding the Saar and indicated that he did not object to the French taking certain administrative steps in the Saar, which were declared to be necessary in order to effect control of food distribution and currency provided the French informed the Council of Foreign Ministers of the steps contemplated. (Subsequently, in the meeting of the CFM in New York, the French member informed his colleagues in a general way of French intentions to take such administrative steps. This subject was not discussed further and the French immediately thereafter established a tight customs control on the border between the Saar and the French Zone).

Recommendations

The United States should continue to support in principle the French claim to integrate the Saar into the economy of France. It should not recognize the expansion of the territory of the Saar on grounds of administrative convenience to the French. The Saar in any event will have to rely to some extent on food and manpower from regions beyond its territory; this was the case when it was under the control of the League of Nations and its development during that period was not hampered as a result of having to obtain food and labor from outside the territory.

The United States will wish to study carefully any proposals which the French may submit regarding the political status to be accorded to the Saar. Outright annexation to France is considered undesirable. The French themselves are unlikely to want to grant the Saar full equality with the other parts of metropolitan France. Another alternative which would probably be more acceptable to the French would be to make the Saar an autonomous state under French protection, possibly with a French High Commissioner, some special form of passports and the right of the people of the Saar to elect local government officials. It is doubtful that the United States would wish to support such a scheme, which would have the effect of giving the Saar the status of a French colony. (Incorporation into metropolitan France would probably be more advantageous to the Saarlanders).

Another alternative, which it is believed the United States could support, would be to place the Saar under an international regime similar to that of the League of Nations from 1919 to 1935, except that this time no plebiscite would be called for and the arrangement would be of a permanent character.

B. THE RUHR AND RHINELAND

Present Status of the Problem

The French wish to separate the Ruhr and Rhineland from Germany. Since they realize that they have little likelihood of getting

agreement on this demand they may not press their case for the political separation of these areas. They will, however, be all the more interested in measures to control the Ruhr industries in order to ensure their production for the benefit of France and other countries in Europe. (This question is discussed in other papers on the subjects of the Ruhr and on the control machinery to enforce the provisions of the proposed Disarmament and Demilitarization Treaty).

Position of the Other Powers

The other occupying powers oppose the political separation of the Ruhr and Rhineland from Germany.

Recommendations

The United States should continue to oppose the political separation of these areas.

III. BELGIAN CLAIMS

Present Status of the Problem

The Belgians submitted a memorandum dated November 14, 1946,⁷² to the Council of Foreign Ministers indicating their desire for a rather moderate frontier adjustment. The Belgian memorandum points out that the International Commission charged with delimiting the new boundary between Belgium and Germany under the Versailles treaty decided on March 27, 1920 that the section of the railway connecting the two Belgian towns of St. Vith and Eupen was assigned to Belgium; that the railway for a distance of about 20 miles passes alternately through Belgian and German territory; that this has created six German enclaves on Belgian territory comprising a total area of about 8 square miles and containing a population estimated at about 3,850; that these enclaves should be eliminated by incorporating them into Belgium so that the railway line will not pass out of Belgian territory.

Position of the Other Powers

No information is available regarding the position of the other powers.

Recommendations

The Belgian claim would appear to qualify as a minor rectification and should be given sympathetic consideration. The views of the Germans residing in the area should be taken into account as well as the effect which the transfer of this territory would have on the economic situation of Germany.

⁷² *Foreign Relations, 1946*, vol. II, p. 1162.

IV. LUXEMBOURG CLAIMS

Present Status of the Problem

The Luxembourg Government in a memorandum dated November 27, 1946,⁷³ presented its demands to the Council of Foreign Ministers. Luxembourg wants the advancement of her frontier along the Moselle and the Sur Rivers in the South and along the Our River in the north up to a depth of six miles in certain places. According to the memorandum the population in this area is estimated at from 20,000 to 30,000 inhabitants. Luxembourg bases its claim on the right to obtain partial compensation for losses sustained during the war and on historical grounds, these areas having been taken from Luxembourg and assigned to Prussia by the Treaty of Vienna in 1815. All of the inhabitants in the areas demanded by Luxembourg allegedly speak the Luxembourg language (*sic*) and the majority allegedly favor the incorporation of the territory into Luxembourg.

The acquisition of the territory demanded would give Luxembourg the watershed required for the construction of a large dam on the Our and would make possible the acquisition and exploitation of the important railway along the German bank of the Moselle which connects the Lorraine mine basin with the Rhine and Ruhr mine basins.

Position of the Other Powers

No information is available regarding the position of the other powers on the Luxembourg territorial demands. However, it should be noted that the Luxembourg claim east of Moselle in the south includes territory which the French have unilaterally incorporated into the Saar.

Recommendations

The Luxembourg claim is more than a minor rectification of the frontier. It would represent an increase of around 10 percent of the total territory of Luxembourg. It is rich in agricultural and mineral resources. If historical claims based on the situation before the Treaty of Vienna of 1815 are to be considered, the whole map of Europe would have to be changed. The United States should maintain its position that only minor adjustments or improvements in the frontier can be considered. Even if the German inhabitants should not object to being annexed to Luxembourg, the United States should oppose the transfer of these regions, which are important to the German economy.

V. NETHERLANDS CLAIMS

Present Status of the Problem

The Netherlands Government presented a memorandum to the Council of Foreign Ministers dated November 5, 1946,⁷⁴ presenting

⁷³ *Foreign Relations*, 1946, vol. II, p. 1316.

⁷⁴ *Ibid.*, p. 1016.

territorial claims designed to straighten the Dutch-German frontier by annexations amounting to 700 square miles with a population of some 119,000. This change would shorten the frontier by about 115 miles. The Dutch claims include changes in the demarcation of the frontier at the mouth of the Ems River and would place the Island of Borkum in Dutch territory. The German city of Emden would remain in Germany but the proposed annexations would give the Dutch a large measure of control over that city. The changes would also give to the Netherlands the Bentheim oil fields and the coal basin south of Venlo.

Position of the Other Powers

Great Britain. The British Government is believed not to be enthusiastic about the Dutch demands, particularly as the changes proposed do not affect Dutch security. It is understood that the British attitude would be to accept changes only for very urgent reasons. This represents a change from a position taken earlier by the British Government, when it indicated that Dutch claims for territorial compensation at the expense of Germany would be given energetic support.

Belgium. The Belgian Government has not expressed its views officially but members of the Belgian Parliament have been disturbed by the extension of the Dutch claims and have indicated their particular interest in the future status of Aachen. No information is available regarding the attitude of other governments.

Recommendations

The Dutch demands are more than minor rectifications of the frontier. The loss of these agricultural surplus areas would affect the German economy and would incorporate around 119,000 Germans in the Netherlands. The territory claimed might result in certain improvements in the frontier but it would also create new more serious problems than those now existing, particularly in connection with the disruption of existing essential public utilities services. Only minor rectifications of the border involving few people, and possibly including changing the frontier in the coastal waters of the Ems Estuary, should be approved by the United States.

VI. CZECHOSLOVAK CLAIMS

Present Status of the Problem

The Czechs demand frontier rectifications involving ten sectors of thirty-eight parts bordering on the Soviet and United States zones of occupation totaling about 320 square miles and 25,000 inhabitants. The Czechs originally wanted far more extensive areas, including important sections along the border of Silesia and the territory now

under Polish administration.⁷⁵ If there is no change in the Oder-Neisse boundary, these changes involving Poland would not be submitted to the CFM but, if taken up at all, would be left for settlement between the Czechs and the Poles. The reasons for the Czech claims are "that the guarding of the frontiers should be made easier and that both transport and economic considerations call for such adjustment." The present frontier, running along the tops of the Sudeten mountains, would be extended in many sections to include the slopes on the German side. The areas demanded are mainly woodland which would be useful to the Czech economy.

Position of the Other Powers

The Czech claims have not, as far as is known, received the support of the great powers.

Recommendations

The areas claimed would not be of great strategic importance vis-à-vis a demilitarized Germany. Furthermore, Czechoslovakia, which has been depopulated through the expulsion of its German minority, has no need for territorial expansion. The districts claimed are historically and ethnically German. On the other hand Czechoslovakia would obtain some economic advantage and administrative convenience by these frontier changes. If frontier rectifications of a minor nature are to be made, for example, on the German-Belgian border, the United States could not logically refuse to consider the Czech claims, but it would want to examine the claims minutely with the object of scaling them down to meet the qualification of minor frontier rectification.

VII. AUSTRIAN CLAIMS

Present Status of the Problem

Austria no longer demands the Berchtesgaden area (to facilitate communication between Salzburg and Innsbruck) and apparently is satisfied to have the 1937 frontier restored. It requests free transit rights across the neck of the Berchtesgaden area to solve the communications problem.

Position of the Other Powers

The United States has opposed the cession of the Berchtesgaden area to the Austrians while the other Governments have not made specific statements on this issue.

Recommendations

The United States should favor the reestablishment of the 1937 frontier, and the granting of free transit rights across the Berchtesgaden salient.

⁷⁵ See telegram 100, April 26, 1946, from Praha, *Foreign Relations*, 1946, vol. II, p. 122.

VIII. DANISH CLAIMS

Danish public opinion is split on the question of the status of Schleswig, the area on the Danish-German frontier which remained part of Germany after the plebiscite in 1920. The Danes are primarily interested in assuring cultural rights for the Danish minority in Schleswig, in securing the removal of German refugees in that area and in securing the administrative separation of Schleswig from Holstein. The Danes may favor a plebiscite in Schleswig to determine whether the inhabitants wish the area to be annexed to Denmark. The Danish Government has not pressed for a plebiscite since a large group in Denmark (the Social Democrats) opposed any change in the frontier on the grounds that the Schleswig population would turn out to be troublesome German nationalists after annexation.

Position of the Other Powers

Great Britain. Schleswig is in the British zone and the British Government has opposed the Danish demands for the removal of refugees and for a separate administration for Schleswig. The British have not taken a position on the boundary question.

The United States. Mr. Byrnes informed the Danish Foreign Minister in New York last December that the problem might be taken up by the Conference of Foreign Ministers when they next discussed the German settlement.

Other Powers. No views expressed.

Recommendations

It is believed the United States should oppose any change in the border on the grounds that this would be more than a minor rectification of the frontier. The question of special privileges for the so-called Danish-minded population of Schleswig would have to be considered carefully as part of the broad problem of the treatment of special racial minority groups in Germany.

IX. SOVIET CLAIMS

Present Status of the Problem

The only Soviet claim is to the northern part of East Prussia, including the city of Koenigsberg. This area has been incorporated into the Soviet Union as a result of the agreement at Potsdam.

Position of the Other Powers

The United States and the British Governments agreed at Potsdam that they would support at the peace settlement the proposal of the Soviet Government concerning the ultimate transfer to the Soviet Union of the city of Koenigsberg and the area adjacent to it. In his Stuttgart speech Mr. Byrnes reaffirmed this, stating that "unless the

Soviet Government changes its views on the subject, we will certainly stand by our agreement."

Recommendations

We should stand by our agreement.

F. IMPLEMENTATION OF UNITED STATES DRAFT TREATY ON
DISARMAMENT AND DEMILITARIZATION OF GERMANY

[*Editorial Note:* This paper, the source text of which bears the date of February 4, 1947, is not here printed. The paper reviewed the articles of the draft treaty (for text see document CFM (46) 21, April 30, 1946, *Foreign Relations*, 1946, volume II, page 190) and the general principles for the operation of the Control Commission envisaged in the treaty.]

G. REPORT OF THE SECRETARY OF STATE'S POLICY COMMITTEE ON
GERMANY, SEPTEMBER 15, 1946

[*Editorial Note:* This Report, which covered 37 mimeographed pages, is not printed. It reviewed the permanent objectives of American policy toward Germany as well as the immediate goals of German policy. Members of the Committee preparing the Report were: James W. Riddleberger, Chairman, John Kenneth Galbraith, Edward S. Mason, and Henry P. Leverich.]

H. TREATMENT OF GERMANY AS A SINGLE ECONOMIC UNIT ⁷⁶

The Problem

General Statement

The problem is to agree on the principle of the treatment of Germany as a single economic unit previously agreed by the United Kingdom, Soviet Union and the United States at Potsdam, and to implement such agreement.

Concise Statement of Background

The continued French veto of the establishment of central German administrative departments and the Soviet objection to common economic policies, required for the treatment of Germany as a single economic unit, have prevented the achievement of economic unity in Germany. The French veto has been based upon its fears of a politically centralized Germany. Since France was not represented at Potsdam, and has refused to be bound by the provision of the Protocol respecting central agencies, France is within its rights in objecting.

⁷⁶ This paper is Memorandum 1 in a series entitled "Principal Economic Issues on Current German Problems for Council of Foreign Ministers Meeting, Moscow."

The Soviet Union has repeatedly stated its agreement with the principle of common economic policies, but has refused to proceed with their formulation and implementation in the important fields of foreign trade, internal trade and monetary reform. In addition, it has taken unilateral action in establishing Soviet corporations in Eastern Germany, subject to Russian control and operating outside of the limitations imposed on German industry. For any occupying power to consider a portion of the resources of its zone as exempted from the common policies for Germany would make the treatment of Germany as an economic unit impossible.

The United States desires treatment of Germany as an economic unit

(a) to prevent the permanent economic and political division of Germany (and Europe) between east and west;

(b) to pool and plan the joint use of the resources of the four zones in such a way as to accelerate attainment of a self-sustaining economy and to establish a sound economic foundation for the growth of democracy.

Views of Other Powers

It is believed that the *British* will support the US position in general and for the most part in detail. They will, however, urge a higher degree of concentration of authority in the central agencies than desired by the US.

The French are likely to attempt to modify the powers of the central German administrative departments, either by having them headed by quadripartite committees, or by limiting their authority in the separate zones, or both. The French have indicated a willingness to subscribe to common economic policies for Germany, but it is probable that they would object to sharing the burden of financing the present import deficit.

The Soviet Union has hinted broadly that it is ready to subscribe to the treatment of Germany as an economic unit, provided that it receives reparation out of current production (see Memorandum No. 2). It is not clear, however, that it would be willing, even on this basis, to agree with the US positions on the extent of the authority of the central agencies; the sharing of an interim import deficit; the definition and limitation of occupation costs; and the recognition of German sovereignty over all enterprises in Germany.

Recommendation

It is recommended that the Secretary of State submit to the Council of Foreign Ministers a proposal, couched in the form of a draft directive to the Allied Control Authority, for the implementation of the

provisions of the Berlin Protocol dealing with the treatment of Germany as an economic unit. This directive should require the Allied Control Authority to constitute the central German administrative Departments under terms of reference which would make their unhindered operation in each of the four zones possible; and to proceed with the implementation of common policies in production, foreign trade, financial and monetary reform. The nature of these common policies should be broadly agreed. It should likewise stipulate that all resources in Germany are subject to the direction of the Allied Control Council and to German law.

A suggested draft directive is attached as Annex A.⁷⁷

Alternative Positions

The Secretary of State may find it desirable to make concessions to the Soviet Union and France by excluding them from the necessity to contribute to the financing of the interim German deficit on the grounds that their zones do not operate at a deficit and because of inability to pay.

I. REPARATION ⁷⁸

The Problem

Precise Statement

To give effect to the provisions of the Berlin Protocol regarding reparation to be paid by Germany, or to revise the Level-of-Industry Plan for Germany agreed by the Allied Control Council on March 28, 1946 and to devise an alternative method by which Germany would pay reparation.

General Statement

→ The problem is to agree upon the resumption of reparation removals under the Level-of-Industry Plan, stopped on May 8, 1946, by General Clay because of the failure of the French and the Soviets to implement the terms of the Berlin Protocol regarding economic unification, provided always that the economic unification of Germany is agreed to. → It is anticipated that the Soviet Union will propose that reparation out of current output be substituted for removals of capital equipment; a decision must be taken on this question. In connection with this proposal, the Soviet Union is likely to suggest an upward revision of the Level-of-Industry Plan. The British may be expected to suggest an upward revision of the Level-of-Industry Plan without providing for reparation out of current output. The IARA countries other than the US and UK, while generally preferring reparation from current output, are in any event interested in obtaining prompt

⁷⁷ Not printed.

⁷⁸ This is Memorandum No. 2 in a special series "Principal Economic Issues on Current German Problems for Council of Foreign Ministers Meeting, Moscow."

resumption of reparation deliveries from the three Western zones. US bargaining and final positions must be taken on these points.

Concise Statement of Background

On May 8, 1946 General Clay halted reparation removals from the United States zone of occupation because of the French failure to agree to the creation of central administrative departments, provided for in the Berlin Protocol, and because of Soviet unwillingness to agree on common policies for the operation of German foreign trade. Assuming agreement on economic unification, called for in the draft US directive attached as Annex A to Memorandum No. 1, it would be appropriate to resume deliveries of reparation as previously agreed.

The Level-of-Industry Plan, however, was agreed to upon the basis of two assumptions additional to the one that Germany would be treated as a single economic unit. These dealt with population and borders. In view of the inaccuracy of the assumption regarding population, and the proposed separation of the Saar from Germany, some revision in the Level-of-Industry Plan is required. In addition, US experts are convinced that the Level-of-Industry Plan contains internal inconsistencies, particularly in respect of electric power and heavy chemicals. The nature of these inconsistencies is that too little capacity has been left in basic industry to provide the appropriate production of power and intermediate products required to maintain levels of output agreed on for finished goods industries. Revision to eliminate these inconsistencies is required.

An entirely different approach to the problem of reparation is likely to be presented to the Council of Foreign Ministers by the Soviet Union which, as noted in Memorandum No. 1, is anxious to trade its adherence to the economic unification for reparation out of current production. Discussions on this point have been conducted by Soviet representatives with members of the United States element, although no conclusions have been reached. It is clear, however, that the Soviet Union would expect the level of industry to be left to Germany to be substantially increased in order to provide capacity to manufacture the current reparation. It is likely that the Soviet Union's position will be supported by a number of smaller countries, including the Netherlands. It may be expected that the British, likewise, will urge a drastic upward revision in the level of industry to be left to Germany on the grounds (a) that the assumptions of the original agreement are proved to be in error; and (b) that the standard of living objective of the Berlin Protocol is harmful to European trade.

Finally, it should be noted that there is increasing sentiment in the United States for some upward revision of the Level-of-Industry Agreement. This has been expressed by the Colmer Committee of the House of Representatives, in a speech by John Foster Dulles, which is

said to have had the advance approval of Senator Vandenberg and Governor Dewey, and by various other groups. It is opposed, however, by Ambassador Pauley and by the Society for Prevention of World War III.

Views of Other Countries

As already noted, the *Soviet Union* will want to abandon the Level-of-Industry Plan in order to receive reparation out of current production as a *quid pro quo* for economic unification.

The *British* are likely to propose a drastic upward revision in the Level-of-Industry Plan without any change in the reparation provisions of the Berlin Protocol.

It is not expected that the *French* will have any strong views on the foregoing, except that they will be inclined both to retain the Level-of-Industry Agreement, and add reparation out of current output to reparation in the form of capital removals.

Recommendation

It is recommended that the Secretary initially take and defend *in extenso* a position based squarely upon the carrying out of the reparation provisions of the Berlin Protocol and the Level-of-Industry Agreement, the latter to be adjusted only for corrections in the original assumptions regarding population and boundaries and to remove internal inconsistencies. Reparation out of current output should be resisted on the ground that exports are not sufficient to pay for imports and are not likely to prove so within the short-term future.

A draft directive, setting forth this position, is attached as Annex A.⁷⁹

Alternative Positions

No alternative position is recommended, except that the Secretary may, as a last resort in an effort to obtain agreement to the treatment of Germany as an economic unit, agree to allow reparation deliveries from capital equipment to be replaced by reparation out of current production, within narrow limits and without increasing the reparation burden on Germany.

J. COAL⁸⁰

[Extracts]

The Problem

Precise Statement

To receive the report of the Allied Control Authority and its Experts on German Coal Production and Allocation and to take such action or issue such instructions to the ACA as may be agreed.

⁷⁹ Not printed.

⁸⁰ This paper was Memorandum 3 in the special series "Principal Economic Issues on Current German Problems for Council of Foreign Ministers Meetings, Moscow."

General Statement

The problem is to restore German coal production to prewar levels to ensure that coal retained in Germany is allocated in such a way as to implement effectively a common program of production and foreign trade for a unified Germany and to avoid waste and non-essential use; and to devise a formula for the division of coal output as between retention in Germany and export which will reconcile our conflicting interests in the achievement of a self-sustaining German economy and in the economic recovery of Europe as a whole.

Recommendation

It is recommended that the United States attempt to obtain CFM agreement to:

(a) Emphasis on the urgency of increased coal production with assignment of an overriding priority in German industry to coal mine needs and food, consumer goods, etc. as incentives for miners.

(b) An instruction to the ACA to allocate coal for German domestic use without regard to zonal boundaries, in such a manner as to maximize industrial production for export and essential domestic needs and to eliminate use by non-essential industry, black market diversions and excessive use in mines, public utilities and other fields.

(c) Acceptance of the restoration of exports by April 1, 1947 to the level of September 1946 (1,150,000 tons, including exports to Austria) with further increases to be negotiated in ACA as production rises. Agreement on such an adjustment between the needs of the German economy and those of other countries in Europe should be reached prior to any agreement on reparation from current output or on trade understanding alternative to such reparation.

A draft CFM directive to the ACA is attached as Annex A.⁸¹

Alternative US Positions

No need is foreseen for an alternative position on the problems of production and allocation within Germany. Objection may be raised to language. Concessions may be made in this regard. It is, however, in the United States interest to have the most stringent and direct instructions for priority of export industries and for the elimination of expenditure of coal on low-priority German reconstruction or on non-essential uses.

So long as discussion is confined to principle and the CFM does not discuss detailed formulae, the only possible concession, which should be made with reluctance, would be that increases in exports take place from increases in production over the present level of production, rather than from the September 1946 level.

⁸¹ Not printed.

In any discussion of detailed formula, it is recommended that no US position should compromise a level of exports to Western and Southern European countries at average monthly rates of 1,750,000 tons in the second half of 1947, 2,250,000 tons in 1948, and 3,000,000 tons in 1949.

K. INTERNATIONAL SUPERVISION OF THE RUHR ECONOMY⁸²

The Problem

Precise Statement

To determine, with respect to a peace settlement with Germany, the U. S. views on various schemes for international control or supervision of the Ruhr economy, particularly as advanced by the French government in its proposal made to the CFM (CFM (46) 1) on April 25, 1946 and elaborated on a supplemental memorandum of February 1, 1947.

General Statement

To outline the essential features of any scheme for the supervision of the Ruhr economy which the United States can reconcile with its dual objective to establish a self-sustaining German economy capable of creating a sound economic foundation for the democratic reconstruction of Germany and to prevent Germany from using the vital economic resources of the Ruhr for its own exclusive advantage rather than for the benefit of Europe as a whole.

Concise Statement of Background

1. Views of the Other Powers

The French have been the most determined exponents of a special settlement for the Ruhr. They have steadfastly opposed economic unification of Germany and the establishment of central German agencies to ensure the treatment of Germany as a unit until the Ruhr-Rhineland issue is settled. They want the ownership of the basic Ruhr industries vested in the powers who took active part in the war against Germany, but are willing to leave the profits of ownership in the Ruhr. They would entrust management, as distinct from ownership, of the coal and iron and steel industries to international administrations in which the states "directly interested" would participate; and would organize other important Ruhr industries such as the mechanical and chemical industries into compulsory syndicates under the control of allied commissioners. A Ruhr commissioner named by the United Nations would be empowered to decide conflicts between the international administrations of Ruhr industries and the territorial authority for the Ruhr. While formally adhering to the original French view that

⁸² This paper is Memorandum No. 4 in the special series "Principal Economic Issues on Current German Problems for Council of Foreign Ministers Meeting, Moscow."

the Ruhr should be politically and economically separated from Germany, the most recent French proposals appear by implication to leave the door open to the retention of the Ruhr by Germany.

The British favor socialization of Ruhr industries under German auspices, with provision for international supervision and control by an organization having certain rights against the owning German public corporation and the German Government which will be enforceable only by appeal to a superior international body.

The Soviet Union has made clear its opposition to political and economic separation of the Ruhr from Germany. It probably would favor international control provided that it shared in that control with a full vote and possibly with the right to exercise a veto.

The Low Countries apparently favor international control of the Ruhr but regard the separation of the Ruhr from Germany as impracticable and inadvisable.

2. *The U.S. Interest*

The United States favors the inclusion in the peace settlement of specific provisions governing the Ruhr not simply because it recognizes that an assurance of such provisions is necessary to overcome French opposition to the establishment of central German agencies and a provisional German government, but especially because it realizes that unfettered German control of the vital coal and iron and steel resources of the Ruhr would leave many European countries which are dependent on the Ruhr at the mercy of Germany.

The shortage of coal and steel is the most important obstacle to European economic recovery. As long as the shortage continues there must be an assurance that the product of Europe's greatest coal reservoir, the Ruhr, will be distributed equitably. During this period Germany will want to retain as much of its coal as possible for domestic consumption and for the production of higher valued goods for export. Most of the western and southern European countries, on the other hand, will have a vital interest in maximizing German coal exports, while other European countries, particularly those in the east, will have a greater interest in exports of German steel and steel products than in exports of German coal. Means must therefore be found to reconcile the interests of Germany with those of the rest of Europe and to reconcile the varying interests of European countries in the export of Ruhr coal and steel.

During the period of occupation and military government the occupying authorities can be relied upon to effect such a reconciliation of interests, provided the Council of Foreign Ministers issues a directive on the production and distribution of coal to the Allied Control Authority and provided the non-occupying powers are given the means to express to the occupying authorities their views on the ap-

propriate division of the output of such vital commodities as coal and steel as between consumption in Germany and export.

Present indications, however, point to the probable continuation of the coal and steel shortage beyond the period of occupation and military government. Moreover, even after the shortage has been overcome there is danger that the German government or German private interests may use their control over vital resources, particularly over the most important source of coking coal in Europe, for the purpose of extorting political concessions or reestablishing and reinforcing the predominance of the German iron and steel industry in Europe. The peace settlement will therefore need to contain provisions to insure the equitable distribution of Ruhr resources and to prevent Germany from using its control over such resources to its exclusive economic or political advantage.

Since the United States has no direct interest in the disposal of the Ruhr's resources, it should leave to European countries the initiative of making detailed proposals for the international supervision or control of the Ruhr economy. It is interested in having as many European countries as possible participate in the framing of appropriate provisions governing the Ruhr so that they may reflect a consensus of views. It is interested also in excluding from a Ruhr settlement any provisions which are likely to prove impracticable or which may prevent Germany from attaining a standard of living sufficiently high to encourage the development of a peaceful democratic Germany.

The United States recognizes that the French are interested in a Ruhr settlement for reasons of military security as well as for economic reasons. It believes, however, that the security aspects would more appropriately be treated as part of the overall problem of keeping Germany disarmed and demilitarized.

Recommendation

1. The United States should favor proposals for international supervision or control of the Ruhr's economic resources which reflect the views of as many European countries as possible and which would insure the equitable distribution of the Ruhr's economic resources in the interests of Europe as a whole and prevent Germany from using such resources for selfish economic or political advantage.

2. The United States should reject as impracticable and inadvisable the political and economic separation of the Ruhr from Germany. Such a settlement would, by creating a serious deficit in the German balance of payments, make it virtually impossible for Germany to support itself on an adequate standard of living. It would also necessitate the abandonment of the reparation plan based on the Potsdam Protocol.

3. The United States should oppose international ownership and

management of Ruhr industries on the ground that international management would require the creation of a large international bureaucracy, would probably be inefficient and would give rise to serious conflicts within the management. The United States should not oppose, however, socialization of Ruhr industries by German provincial authorities.

4. The United States should make sure that any limitations on Germany's rights to dispose of the Ruhr's economic resources do not make it impossible for Germany to attain a standard of living at least equal to the average of Europe exclusive of the United Kingdom and the Soviet Union.

5. The United States should use its influence so far as possible to insure that any necessary supervision over the distribution of the Ruhr's economic resources is carried out in accordance with objective criteria and by a staff as impartial and free of political control as possible.

6. The features of a Ruhr settlement which would be acceptable to the United States are outlined in a suggested draft directive to the deputies of the CFM attached as Annex A.⁸³

L. POST-SURRENDER ACQUISITIONS IN GERMANY

[*Editorial Note:* The text of this paper, which was Memorandum No. 5 in the special series "Principal Economic Issues on Current German Problems for Council of Foreign Ministers Meeting, Moscow," is not here printed. The paper reviewed the need to stop unilateral Soviet and French post-surrender acquisitions of interests in enterprises and property in Germany, to set aside such previous acquisitions as were inappropriate, and to establish uniform principles governing the acquisition of new foreign interests in Germany.]

CFM Files : Lot M-88 : Box 90

*Memorandum Prepared by the Office of Military Government for Germany*⁸⁴

SECRET

[BERLIN,] 5 March 1947.

A. SUMMARIZED ANALYSIS OF THE GERMAN PROBLEM

1. An analysis of the German problem indicates clearly that it may be divided into two distinct phases :

⁸³ Not printed.

⁸⁴ This paper was prepared by OMGUS at the request of the Department of State in preparation for the forthcoming session of the Council of Foreign Ministers in Moscow. Fifty numbered copies were printed for the use of the United States Delegation to the Council session.

a. Matters beyond the purview of the Allied Control Council which were not determined in the Potsdam Protocol;

b. Matters determined in principle in the Potsdam Protocol and hence within the purview of the Allied Control Council which, however, the Council has been unable to resolve because of fundamental differences of viewpoint between the occupying powers.

2. The problems included in the first phase may be listed as:

a. The disarmament treaty;

b. The final fixing of boundaries;

c. The final structure of German government; and

d. The peace treaty.

3. The problems coming under the second phase, that is, problems which have been within the purview of the Allied Control Council but beyond its ability to agree, fall either into those concerned with political unification and/or those concerned with economic unification. While political and economic unification have been considered separately, it must be recognized that one can not be accomplished without the other. The unification of Germany both politically and economically must be undertaken concurrently and as a part of a common plan.

4. Twenty months of quadripartite government and the recent completion of a report of progress to the Council of Foreign Ministers⁸⁵ have developed the fundamental differences between the occupying powers.

5. It would appear clear that the Soviet position is in favor of an economic unification accompanied, however, by a political unification which will leave substantial powers in the Zone Commander to control the economic resources of the zone for which he is responsible.

6. The Soviet position will favor a strong central government except as it is suborned [*subordinated?*] to the Zone Commander, as only a strong central government lends itself to single party domination. While favoring economic unification, the Soviet representatives will try to exact as prerequisite conditions completion of the reparations program for the delivery of capital plant from the western zones. They may be prepared to modify the program to provide substantial reparations from current production. They will insist that removals from Eastern Germany are not subject to quadripartite review.

7. While the French position will not indicate a direct opposition to economic unification, it is manifest that whereas the Soviet position is really in favor of economic unification, the French in fact want

⁸⁵ At its 3rd Session in New York, November 4–December 12, 1946, the Council of Foreign Ministers had directed the Allied Control Council for Germany to prepare a progress report. The last section of the Report of the Allied Control Council was completed on February 25, 1947. The Report is not printed, but for a brief description, see footnote 95, p. 239.

neither economic nor political unification. The French position will favor a weak central government with such limited powers that it cannot be effective either as a government or in exercising appropriate economic controls.

8. There would appear to be no basic differences between the American and British positions in principle, although their detailed proposals may be somewhat difficult to reconcile.

9. The Soviet representatives will charge the western occupying powers with having taken inadequate measures in demilitarization, denazification, and decartelization. They will attack also the strong state powers given to the *Laender* in the American Zone. However, the attack will be concentrated on the bizonal economic unification of the British and American Zones as being contrary to the provisions of the Potsdam Protocol. This attack will reveal their real apprehension—that the success of this economic unification will weaken the position of the U.S.S.R. in Germany. However, the record which is contained not only in the quadripartite report, but also in the special papers prepared by Military Government (indexed at *Tab A*)⁸⁶ will easily refute the Soviet charges. In point of fact they are not to be taken seriously as they are primarily a smoke screen behind which the Soviet representatives will press for the acceptance of their views with respect to central government and to a production program designed to make vast quantities available for reparations.

10. The papers prepared by the State Department have been examined with great care and the comments of Military Government with respect to these papers are appended in *Tab B*.

11. In general, Military Government does not disagree with the basic concepts contained in the State Department papers. It does differ in various details, some of which are most important. An important difference lies in our disagreement with the establishment of a provisional German government which at the same times leaves certain specific powers in the hands of the Zone Commanders. We could stress the necessity to give the provisional German government a free hand except that its actions may be disapproved by the Allied Control Council. Otherwise a single dissent by an occupying power would prevent the enactment of necessary legislation.

12. We are also apprehensive that an internationalization of the Ruhr which is independent of the Allied Control Authority, or which forces the economy of the Ruhr to be considered separately from the economy of Germany, is unworkable and undesirable.

⁸⁶ Tab A under reference here is not printed. It listed 34 OMGUS Papers, Background Briefs, and Special Reports on various German questions for the use of the United States Delegation to the Council of Foreign Ministers.

13. The State Department proposal for the structure of a future central government may be sound. However, we doubt the advisability of such extensive experimentation in the field of government as is proposed. No justification in German history, nor in the governmental experience of other democracies, can be found for such a plan.

14. We are of the view that the proposed directive on coal is not only inflexible but would prevent a revival of the German economy and prolong the period in which it would necessarily have to be supported by American and British tax payers.

15. In accepting the integration of the Saar with the French economy, we must recognize the necessity for an increase in the level of industry in Germany to compensate for the loss of surplus export and production in the Saar. Moreover, the State Department paper does not clearly define the boundaries of the Saar as that area is to be integrated into the French economy.

16. The proposal of the State Department for the investment of foreign capital should be reconsidered and in any event should not become effective until economic conditions in Germany have reached some degree of stability.

17. While the major problems have been considered in the State Department papers, our experience in quadripartite government has indicated that there are some basic considerations common to any and all plans for the treatment of Germany as a whole. These considerations are recognized in a general way in the several documents. However, their importance to the success of any agreed plans indicates that they should be agreed to prior to the acceptance of a specific proposal or else should be incorporated in each agreed proposal.

18. The United States should insist as the basis for any specific agreement to the following conditions:

a. A common utilization of the indigenous resources of Germany to include agreed allocations for exports, and when a balanced economy is obtained, for reparations if the use of production for this purpose is accepted.

b. An agreed import-export program designed to make Germany self-sustaining and to repay past costs incurred by the occupying powers. This program should provide for the acceptance by each occupying power, on a satisfactory basis, of responsibility for a share of the deficit incurred during the period in which a self-sustaining economy is being developed.

c. The acceptance of a financial reform program with a single issuing source for currency under quadripartite supervision and the decentralization to the fullest extent feasible of banking and taxation.

d. Complete freedom of movement in Germany for persons, ideas and goods, including freedom of the air for approved civil traffic.

e. Freedom of German press and radio, within the limits of security, throughout Germany.

f. Freedom of political action for democratic political parties approved to operate on a national basis without discrimination. Elections throughout Germany to be under quadripartite supervision and inspection.

g. Freedom of action throughout Germany for trade unions, authorized to establish federations of a democratic form in accordance with their own desires.

h. The definition of zonal boundaries to indicate only the areas of security responsibility of the several occupying powers.

i. An agreed definition of occupation costs.

j. An agreed plan to control the size of the occupying forces to be held in Germany on a timed reduction program.

19. If these conditions are accepted the establishment of central administrative agencies under a provisional national government can be effective. The central agencies mentioned in the Potsdam Protocol should be augmented by agencies for Food and Agriculture, and Justice. The time has passed for these agencies to report individually to the Allied Control Authority. They will receive national support and be effective only if they are responsible to a provisional national government which is under the general supervision of the Allied Control Authority.

20. The provisional national government would be composed of representatives of the *Laender* or provinces. Except in specific fields such as reparations deliveries and external restitution, it should be given broad authority subject only to the disapproval of its actions by unanimous vote of the Allied Control Authority when its actions transgress Allied objectives. In no event should Zone Commanders have authority to set aside, obstruct, or defeat the actions of the provisional national government except and unless acting under the instructions of the Allied Control Authority.

21. This provisional government should be charged with the creation of a drafting commission to prepare a German constitution under broad instructions which require the inclusion of democratic principles, and the establishment of a federal type of government which may have sufficient central authority to be effective under modern conditions. This preparatory Commission should be superseded at an early date by an elected constitutional assembly which should complete the constitution for the approval of the occupying powers. The approved constitution should be presented to the people for ratification and for the election of the constitutional government within a period of one year from the formation of the provisional government.

22. If the above measures can be accomplished it would appear that American objectives in Germany are capable of realization. It must be recognized that it will be difficult to secure acceptance of these objectives unless some allowance is made for reparations from German

production. Obviously, it will be difficult for the United States to concede production for this purpose as long as Germany must produce exports which will eliminate the present occupation costs to the United States, and provide some repayment of past costs. Perhaps this could be met in part by waiving any claim to reciprocal deliveries although this will be opposed by IARA. However, there can be no question but that the complete integration of the German economy will in itself increase the ability of Germany to export, and perhaps a portion of this increase could be made available for reparations from production.

23. It is certain that the presently agreed level of industry in Germany will not support a production program for reparations. It is still our view that the agreed level of industry will provide a standard of living equal to, but not greater than the average for Europe (exclusive of UK and USSR). It will not permit the repayment of occupation costs. Moreover, under the provisions of the Potsdam Protocol, consideration could not be given to the effect of such a level of industry on a stable European economy. It is apparent that an increased level of industry in Germany is greatly needed by all of Europe, which is now recognized by the Netherlands, Belgium, and other countries whose progress to recovery is retarded by their inability to exchange goods with the German economy.

24. The tragedy inherent in present conditions is that skilled industrial workers for whom there is no industrial work fitted to their special ability, and skilled agricultural workers for whom there is no land, have been brought into Germany in large numbers. This has resulted in an abnormal concentration of population in an area severed from normal economic ties developed over centuries and unable to establish new ties while prostrate before Allied authority. Concurrently both agriculture and industry in the areas from which these people have been moved are retarded at a time when full production is essential to peace in Europe.

25. Recognizing the impracticability of correcting these conditions other than the correction which may be effected by readjustment of the eastern boundary, it becomes even more necessary to offer this concentrated population an early hope for political and economic stability. If this cannot be done, all of the steps taken in denazification and demilitarization will become meaningless, the words "re-education" and "reorientation" of the German people to a democratic way of life will not only cease to be a hope but will become the symbol for the destruction of western ideas and civilization.

26. Destructive measures are temporary and transient. Constructive measures can succeed only if accompanied by progress. Almost seventy million people with a considerable background of stoic endur-

ance and physical courage may not have the means within themselves to wage war, but if they are forced to live without hope, they are certain to become the pawn of future international strife.

27. It is easy to confuse constructive measures in Germany with sympathy for the aggressive, domineering German concept which led to two wars for conquest. However, Germany has received a punishment from this last war which should prove a lasting deterrent to the regrowth of militarism within Germany. Even if it does not, we must still depend on our controls being enforced in the years to come. An economic void in Central Europe will punish the German people indefinitely; it will punish Europe even more and destroy the stability which is essential to the growth of democracy and the maintenance of western cultural thought.

Tab B

SUMMARY OF MAJOR COMMENT BY MILITARY GOVERNMENT ON STATE DEPARTMENT PAPERS ⁸⁷

The Plan for Establishing Provisional German Government

Military Government concurs in the basic concept. However, it suggests that in addition to the central agencies provided for in the Potsdam Protocol, there should be added Food and Agriculture, and Justice.

The plan is also based on the provisional government being formed of "heads of governments of the *Laender*" who are democratically responsible to their respective state assemblies. This latter condition does not exist everywhere at the present time and provisional government should not be deferred awaiting elections in the French Zone.

Military Government feels strongly that the plan which provides that laws and regulations of the provisional "shall be valid unless disapproved by the Allied Control Council" is sound. However, the directive specifies that they shall "become valid upon approval by the Allied Control Authority." We should never consent to such a condition as the resulting veto power in the hands of a single occupying power could nullify almost every action of the provisional government. This remark applies equally to the appointments and dismissals from key positions in the central administrative agencies.

Military Government believes the provision in the second alternative organization, which provides for representation on a zonal basis, is not sound as it would unduly emphasize the continuance of zonal boundaries.

⁸⁷ The detailed comment by OMGUS on individual papers prepared by the Department of State covering 31 pages in the source text is not here printed. The State Department papers under reference are those printed *supra*.

It is believed that the relationship between the central administrative agencies and the *Laender* should be clearly delineated to avoid the states becoming merely agents of the central government.

Plan for Establishment of Laender

The State Department proposal does not indicate whether the proposed *Laender* units are to be established immediately for provisional governmental purposes or are to be included in the ultimate federal government. The re-establishment of a united Wuerttemberg, a united Baden, and a united Rhine province, are desirable in the ultimate governmental structure. However, their re-establishment under the provisional government would not appear feasible with existing zonal boundaries. It would be very difficult to change these zonal boundaries during the period in which a provisional government is in operation.

Military Government is of the view that the proposal by the State Department is one of several alternatives which are acceptable. It doubts the wisdom of the detailed pattern being determined by the Council of Foreign Ministers and suggests that it would be desirable for the Allied Control Council to determine this pattern in consultation with German authorities.

The Structure of the Future German Government

There appear to be some differences in the three State Department papers which deal with these subjects. Military Government considers that there are serious difficulties in the State Department papers. The proposal for the election of the "head of the state" annually from the Upper House while subjecting him and his cabinet to a vote of non-confidence in the Lower House, is unique, and certainly not proven by experience. It would create a weak and unstable government and would build up pressures for the centralizing authority similar to those which wrecked the Weimar constitution. Moreover, the Upper House would become a mere appendage of constitutional government.

This proposal also delegates functions of government to the states rather than the reverse, whereas our position to date has been that the federal or central government will have only those powers given to it by the several states. The detailed conditions requisite for the approval of the constitution should not be prescribed, but rather general standards should be given to the Germans for them to work out in detail, subject of course to final Allied approval of the proposed Constitution.

The Polish-German Boundary

Military Government concurs fully in this paper. It has prepared a proposal for the internationalization of Upper Silesia in the thought that it may have bargaining advantages if and when the internationalization of the Ruhr is considered.

German Boundary Problems other than the Polish-German Boundary

Military Government concurs in the recommendations of the Policy Committee. It would point out that the French occupying authorities have taken unilateral action to extend the boundaries of the Saar territory and that this extension should not be included in the integration of the Saarland with France. Moreover, it should be clearly understood that the integration of the Saarland with France will require an adjustment in the Level of Industry Plan to compensate the German economy for the loss of surplus exports from the Saar.

Implementation of the U.S. Draft Treaty on Disarmament and Demilitarization of Germany

Military Government concurs in the provisions of this draft treaty with the exception of the paragraphs in Article I which prohibit the manufacture of sporting arms and ammunition and the manufacture of commercial explosives. The Allied Control Council has already found it necessary to permit the controlled manufacture of sporting arms and ammunition, and also of commercial explosives.

Military Government also suggests that in paragraph (d) of Article I, first and second sentences, the words "scientific research" be included after the word "production" in each case so as to provide in the treaty for the prohibition of scientific research in military subjects.

Treatment of Germany as a Single Economic Unit

Military Government concurs in the statement of basic problems, however, the passage of time has made it necessary to establish a governmental organization stronger than the Central Administrative Governments contemplated at Potsdam in the form of a Provisional German Government. We are particularly of the view that the Department's proposal to leave the occupying authorities in each zone the right of action in certain fields, would make it impossible to get uniform policy established throughout Germany. The authority of the Provisional Government should be exercised through German machinery under quadripartite top supervision.

It is believed most unwise to establish a directive which would limit German industry by limiting the coal to be made available to Germany. Certainly the American taxpayer would not be happy if this directive should leave him still in the position of having to finance Germany.

Soviet ownership of the so-called Soviet AG's should not be recognized, and we should insist that such ownership be disavowed as a condition to economic unity.

The State Department omits reference to a Central Department of Agriculture. We feel that such a central department is essential and we have been authorized to support its establishment in the Allied

Control Council. Likewise, we are of the view that a Central Department of Justice is needed.

Reparation

Military Government concurs in general in this paper. It points out, however, that a revision of the Level of Industry Plan to be effective must also call for a revision of the proposed export of coal in the Level of Industry Plan. It has become evident that the Level of Industry Plan should be reviewed not only to take into consideration the standard of living contemplated in the Potsdam Protocol, but also the recovery and economic well-being of Europe as a whole. Moreover, if current production is to be used for reparations, the level of industry must be revised accordingly. If this is agreed, it should be specified that production will be used for reparations only when there is a balanced economy, unless agreement can be obtained for an equitable sharing of deficits until the economy is balanced.

The cancellation of agreements for reciprocal deliveries could be used as a bargaining point in resisting Soviet demands for reparations from production, although it is obvious that such a decision would not be acceptable to IARA.

Coal

Military Government does not concur in Memorandum No. 3 on Coal. This memorandum makes recommendations for the issuance of certain overriding priorities and also for the allocation of coal both within Germany and for export. It also enters into the field of denazification and into the findings of effective means of consultation and cooperation by miners and management of mines. It would hardly seem that these were matters for the Council of Foreign Ministers. In point of fact, they are well in hand. The recommendations are therefore unnecessarily critical of British administration.

While the proposed directive is sound in directing quadripartite allocation of coal produced in Germany, such allocation is undesirable if we did not secure full economic unity. If we do secure economic unity, it is unnecessary.

The directive with respect to economizing the consumption of coal lacks meaning, in view of the small amount of coal which has been made available to the German economy.

The directive to restore export coal to the September 1946 level in April means substantial increase in the cost of occupation. It would be difficult to justify before the American Congress. We have agreed here with the British to increase the export of coal in April by 50,000 tons, in May by 200,000 tons, and in June by 300,000 tons. This will restore the September 1946 export level. We have then agreed a sliding scale in which increased production would be shared between ex-

port and internal needs. Even this directive should not be given to the Allied Control Council in fixed terms if, in fact, it is desired to give to the Allied Control Council or to the US/UK Bizonal Agencies the flexibility which will permit the development of a self-sustaining economy.

The entire coal paper is devoted to emphasizing the export of coal rather than the utilization of coal to make the German economy self-sustaining and thus reduce or eliminate the present costs of occupation. It must be pointed out that the receipts from coal exports are perhaps less than one-third of the receipts from the exports which could be produced in Germany with this coal. The coal directive could entirely wreck the bi-zonal plan to obtain economic self-sufficiency within the U.S. and U.K. zones. It is interesting to note that several of the claimant countries having [*have?*] willingly taken reductions in allocations of German coal, recognizing the importance of German economy to Europe.

International Supervision of the Ruhr Economy

Military Government concurs in the views expressed in this paper rejecting the political and economic separation of the Ruhr and opposing international ownership and management.

However, it does not believe that allocations should be made by a Ruhr Authority independent of the Allied Control Authority or whatever Allied Authority may have supervision over the German government. Germany can not have two governments. A Ruhr Authority must not have a separate power to allocate. The power of allocation must remain with the Allied Control Authority and must be exercised for all of Germany, since the power to allocate is a basic power of government. Whatever body is established to control the Ruhr must be subordinate to the Allied Control Authority as long as the Allied Control Authority exists.

Military Government is also of the view that government ownership of the Ruhr will not prove to be the most expeditious way to bring the Ruhr back into production. In any event, it would recommend that this question be left to the German people. If an international control is to be established over the Ruhr, it is believed that it should be a quadripartite directorate operating under the Allied Control Authority with powers of the general sort exercised by the Federal Trade Commission in the United States. A Commission of this type could be continued in existence in the Peace Treaty after the Allied Control Authority has been dissolved.

Post-Surrender Acquisitions in Germany

Military Government agrees with the State Department's views that foreign investors should be permitted to invest in Germany to recover

holdings lost through reparations removals and, in fact, it would go further to permit such investment to replace property lost through war damage. We can not agree that any investment should be permissible which is supported by foreign exchange. The economic condition of Germany is such that the admission of foreign investors to the "bargain basement" of Germany while it is prostrate would result inevitably in extensive "carpet-bagging". This would be particularly true if the foreign exchange is converted into German currency at a rate arbitrarily fixed by the occupying powers. We do not believe that foreign holders should be permitted an increase in their investment in Germany which would place them in a stronger position in Germany than their German-owned competitors. If this did result, and it could result from the proposed policy, Germany would be obligating herself to pay off a foreign debt for materials which were not allocated on an impartial basis within the German economy to permit that economy to first pay off occupation costs.

Economic Provisions of the Berlin Protocol

Military Government does not agree with the interpretation that the Potsdam Protocol prohibits a standard of living of post-war Germany greater than the average of Europe. It is the position of Military Government that this standard was established as a measure of reparations and not to prevent the Germans themselves from their own efforts to attain a higher standard of living in the future. This commentary also implies that agreement has been reached with respect to reciprocal deliveries, which is not correct.

C. RECORDS AND REPORTS OF THE PROCEEDINGS OF THE SESSION

Editorial Note

PRINCIPAL MEMBERS OF THE DELEGATIONS TO THE FOURTH SESSION OF
THE COUNCIL OF FOREIGN MINISTERS, MOSCOW, MARCH 10–APRIL 24,
1947⁸⁸

UNITED STATES DELEGATION

Member

George C. Marshall, Secretary of State

Deputy for Germany

Robert D. Murphy, United States Political Adviser for Germany

⁸⁸ 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, 1946–June 30, 1947*, Department of State Publication 3031 (Washington, Government Printing Office, 1948), p. 19.

Deputy for Austria

General Mark W. Clark, United States High Commissioner to Austria

Advisers

Walter Bedell Smith, Ambassador in the Soviet Union

Benjamin V. Cohen, Counselor, Department of State

John Foster Dulles

General Lucius D. Clay, Commander-in-Chief Europe; Military Governor for Germany

Major General William H. Draper, Economic Adviser to the Military Governor for Germany

H. Freeman Matthews, Director, Office of European Affairs, Department of State

Charles E. Bohlen, Special Assistant to the Secretary of State

James Riddleberger, Chief, Division of Central European Affairs, Department of State

John G. Erhardt, Minister in Austria

UNITED KINGDOM DELEGATION

Member

Ernest Bevin, Secretary of State for Foreign Affairs

Deputy for Germany

Sir William Strang, Political Adviser to the Commander-in-Chief of British Forces of Occupation in Germany

Deputy for Austria

Lord Samuel Hood, Deputy to the Secretary of State for Foreign Affairs for the Peace Treaty with Austria

Advisers

Sir Maurice Drummond Peterson, Ambassador in the Soviet Union

Sir Edmund Lee Hall-Patch, Deputy Under Secretary of State for Foreign Affairs

William Henry Bradshaw Mack, Political Adviser to the Commander-in-Chief of British Forces of Occupation in Austria

Lieutenant General Sir Brian Hubert Robertson, Commander-in-Chief of British Forces of Occupation in Germany; Military Governor for Germany

Major General T. J. W. Winterton, British Deputy High Commissioner to Austria

SOVIET DELEGATION

Member

Vyacheslav Mikhailovich Molotov, Minister for Foreign Affairs

Deputy for Germany

Andrey Yanuaryevich Vyshinsky, Deputy Minister for Foreign Affairs

Deputy for Austria

Fyodor Tarasovich Gusev, Deputy Minister for Foreign Affairs

Advisers

Marshal of the Soviet Union Vasiliy Danilovich Sokolovsky, Chief of the Soviet Military Administration in Germany

General Vladimir Vasilyevich Kurasov, Soviet High Commissioner to Austria

Vladimir Semenovich Semenov, Political Adviser to the Soviet Military Administration in Germany

Yevgeniy Dmitriyevich Kiselev, Political Adviser to the Soviet High Commissioner to Austria; Soviet Diplomatic Representative to the Austrian Federal Republic

Andrei Andreyevich Smirnov, Chief, Third European Division (Central Europe), Ministry of Foreign Affairs

FRENCH DELEGATION

Member

Georges Bidault, Minister for Foreign Affairs

Deputy for Germany

Maurice Couve de Murville, Director General for Political Affairs, Ministry for Foreign Affairs

Deputy for Austria

Jacques-Camille Paris, Minister in the United Kingdom

Advisers

Général d'Armée Georges Catroux, Ambassador in the Soviet Union

Hervé Alphand, Director General for Economic and Financial Affairs, Ministry for Foreign Affairs

Tarbé de Saint-Hardouin, Political Adviser to the French Commander-in-Chief in Germany

Louis de Monicault, Political Adviser to the French Commissioner to Austria; Minister in Austria

Général Perruche

CFM Files : Lot M-88 : Box 60

Record of Decisions of the Council of Foreign Ministers, First Meeting, Moscow, Aviation Industry House, March 10, 1947, 5 p.m.

SECRET

CFM (47) (M) 1st Meeting

PRESENT

U.S.S.R.

M. Molotov (Chairman)
 M. Vyshinski
 M. Gousev
 Marshal Sokolovsky
 M. Smirnov
 M. Semenov

U.K.

Mr. Bevin
 Sir M. Peterson
 Lord Hood
 Sir E. Hall-Patch
 Mr. Dixon

U.S.A.

Mr. Marshall
 Mr. Smith
 Mr. Cohen
 Mr. Dulles
 Mr. Murphy
 Mr. Bohlen

FRANCE

M. Bidault
 General Catroux
 M. Couve de Murville
 M. Alphand
 M. de St. Hardouin

I. SELECTION OF CHAIRMAN AND TIME OF MEETING OF THE COUNCIL

It was agreed:

- a. that the head of the U.S.S.R. Delegation should be Chairman of the first meeting of the Council in Moscow;
- b. that at subsequent meetings the chairmanship should rotate in accordance with the customary procedure of the Council; and
- c. that normally the Council should meet at 4 p.m.

II. AGENDA OF THE PRESENT SESSION

It was *agreed* to add to the Agenda of the Moscow Session of the Council which was accepted in New York (CFM/46/NY/74)⁸⁹ consideration of the financial position of Trieste (CFM/47/M/2).⁹⁰

⁸⁹ For the text of the document under reference here, dated December 12, 1946, setting forth the decisions of the Council of Foreign Ministers with respect to the agenda for its next session, see *Foreign Relations, 1946*, vol. II, p. 1557.

⁹⁰ The document under reference, the Report of the Trieste Commission of Inquiry, is not printed; see footnote 28, p. 163.

After an exchange of views, a decision as to the inclusion of the following subjects in the Agenda was *postponed* to the following meeting:

- a*, letter of the Inter-Allied Reparations Agency (CFM/47/M/1),⁹¹ which was communicated to the Council by the Deputies;
- b*, information to be given to the Council by participants in the Moscow Agreement on China of December, 1945, concerning execution of the decisions of the conference (proposal by the U.S.S.R. Delegation—CFM/46/NY/7);⁹²
- c*, reduction of occupation forces in Europe (proposal by the U.S. Delegation—CFM/46/NY/59).⁹³

III. WORK OF THE DEPUTIES FOR GERMANY AND AUSTRIA

It was *agreed* that the Deputies for Austria of the Foreign Ministers and the Deputies for Germany of the Foreign Ministers should at the present session of the Council continue the work which they had begun in London.

The Members of the Council communicated the names of their appointed Deputies as follows:

U.S.S.R. Delegation

Deputy for Austria	—	F. T. Gousev
Deputy for Germany	—	A. Y. Vyshinski

U.S. Delegation

Deputy for Austria	—	General Clark
Deputy for Germany	—	Mr. Murphy

French Delegation

Deputy for Austria	—	M. Paris
Deputy for Germany	—	M. Couve de Murville

U. K. Delegation

Deputy for Austria	—	Lord Hood
Deputy for Germany	—	Sir William Strang

⁹¹ See *post*, p. 391.

⁹² The document under reference, dated March 10, 1947, was the statement on China by Foreign Minister Molotov, made in the course of the Council's 1st Meeting, March 10. For the text of the statement, see V. M. Molotov, *Speeches and Statements Made at the Moscow Session of the Council of Foreign Ministers, March 10—April 24, 1947* (London, "Soviet News", 1947), p. 121.

⁹³ *Foreign Relations*, 1946, vol. II, p. 1466.

IV. LIQUIDATION OF PRUSSIA

It was *agreed* to approve the decision of the Allied Control Council for Germany regarding the liquidation of the Prussian State (see Annex ⁹⁴).

V. REPORT OF THE ALLIED CONTROL COUNCIL FOR GERMANY TO THE COUNCIL OF FOREIGN MINISTERS ⁹⁵

It was *agreed* to instruct the Deputies for Germany to discuss on the morning of March 11 the order in which the Report of the Allied Control Council for Germany should be considered and to make a recommendation on this question to the Council.

VI. NEXT MEETING

Next meeting of the Council: March 11, 1947, at 4 p.m.

Meetings of the Deputies for Austria and the Deputies for Germany: March 11, 1947, at 10 a.m.

740.00119 Council/3-1047: Telegram

*The Secretary of State to the President and the
Acting Secretary of State*

SECRET
URGENT

Moscow, March 10, 1947—11 p.m.

741.⁹⁶ Delsec 1288. For the President and Acting Secretary Acheson from Marshall. The opening meeting of the Council of Foreign

⁹⁴ The Annex is not printed. It consisted of a translation of the Allied Control Council for Germany Law No. 46 on the abolition of the State of Prussia. For the text of the law, see *Germany 1947-1949*, p. 151, or *Ruhm von Oppen Documents on Germany*, p. 210.

⁹⁵ At the close of its Third Session in New York, November 4-December 12, 1946, the Council of Foreign Ministers agreed to instruct the Allied Control Council for Germany to submit to the Council of Foreign Ministers by February 25, 1947, a report dealing with the work of the Control Council since its creation and the problems of the political, economic and financial situation of Germany; see Items II, 1 and III of CFM (46) (NY) 74, December 12, 1947, *Foreign Relations*, 1946, vol. II, p. 1557. The final portions of the Report requested by the Council of Foreign Ministers were completed and approved by the Allied Control Council for Germany at its 55th Meeting, February 25, 1947; see telegram 467, February 26, 1947, from Berlin, p. 855. The Report, which covered many hundreds of pages and weighed approximately six pounds, was divided into the following major sections: I. Demilitarization, II. Denazification, III. Democratization, IV. Economic Problems, V. Reparations, VI. Central Administration, VII. Population Transfers, VIII. Territorial Reorganization, IX. Liquidation of Prussia. The complete text of the Report, which has not been printed, is included in CFM Files, Lot M-88, Box 89.

⁹⁶ The telegrams from the Secretary of State during the Moscow Session of the Council of Foreign Ministers were transmitted through the facilities of the Embassy in Moscow and bear the Embassy telegram numbers as well as the Delsec series number.

Ministers convened this afternoon with Molotov, Bidault, Bevin and myself present.⁹⁷ After the usual courtesies, it was agreed that chairmanship would rotate daily, starting with Molotov today. At the request of the British the Ministers agreed to add to the agenda the report of the Four-Power Commission investigating the financial situation in Trieste. Deferred to the next meeting was Molotov's request to add to the agenda the second letter from the Inter-Allied Reparations Agency. It was also agreed to direct the deputies to proceed forthwith with their work on both the German and Austrian treaties.

Molotov then proposed that the agenda include an information report by each of the four signatory powers to the Moscow declaration as to the fulfillment of promises contained in the declaration as regards China.⁹⁸ I stated that the submission of such a report appeared to be a reasonable request but that I was concerned as to just how China would be represented at the discussions. Molotov stated that since China was not a signatory of the Moscow conference he saw no reason why they should be represented. (I do not think such report should be rendered to these four Ministers, that is, to this council, but only to Molotov and Bevin.)

I then proposed that we add to the agenda the question Mr. Byrnes introduced at New York, to have the four powers limit the number of occupational troops they were using. I said that it was my understanding that Mr. Molotov had deferred this matter in New York, but had left open a possibility of discussing it at this meeting. Mr. Molotov then asked if I agreed to include the China problem in the agenda, and I stated that I wished to think it over further and would report tomorrow. Molotov then gave similar reply to my request on occupational troops.

The Council agreed to refer to the deputies the report by the Allied Control Council for Germany with instructions that the deputies have available for tomorrow's meeting a digest of procedure to be followed by the CFM in considering the Council's voluminous report. The CFM Council then approved the action of the Allied Control Council in the liquidation of Prussia.

The Council then adjourned.

[MARSHALL]

⁹⁷ For the agreed record of the decisions reached at this meeting and the identification of the documents cited and discussed, see *supra*.

⁹⁸ Section IV of the Communiqué of the Moscow Conference of the Three Foreign Ministers, December 27, 1945, in telegram 4284, December 27, 1945, from Moscow, *Foreign Relations*, 1945, vol. II, p. 815.

740.00119 Council/3-1147 : Telegram

The Secretary of State to the Acting Secretary of State

SECRET

Moscow, March 11, 1947—8 p.m.

URGENT

759. Delsec 1289. For Acheson from Marshall. This morning March 10, Mr. Bidault called on me at his request. He stated that he had been informed of my discussions with Auriol.⁹⁹ I told him that since leaving Paris I had had some discussions with American technicians and had reached certain superficial conclusions.

I understood that it is now expected that coal exports from the Ruhr will be increased in April and that exports will be restored to the full level of September 1946 by June or July. I said further I understood there was hope that, as coal production further increases, there would be probable further increases in exports during the latter part of the year. He said he had hoped that the September export level of coal would be reached by April but did not press the matter. I stated my understanding that any increase in the level beyond 60% of pre-war involved substantial increases in transport and steel production for the mines and equipment.

I said I understood that the French would like to see French and American technicians at the mines in operating capacities, but we felt this was the wrong way to increase production. We felt that there should be French, American and British control or supervision at the top, but that the way to get coal is to have the mines administered and operated by the Germans.

Bidault replied vaguely that we could discuss details later and he was not sure that this was an important point of difference.

I said France could help get her coal needs by accepting our invitation to join the bi-zonal arrangement we have made with the British. She would then have a say on the coal problems. Bidault smiled and said I was doubtless familiar with the origins of the French position on this matter. He made it clear that he referred to the Communist participation in the French Government and their reluctance to permit the French to join. He said that the joining of the French zone with the British and American would depend on how the whole picture develops.

We then discussed the length of the conference, and I emphasized the importance to the world of the problems with which we are dealing, saying that it sometimes is difficult to see the forest for the trees. He remarked that he had begun his political career working by the side

⁹⁹ For the record of the Secretary of State's conversation with President Auriol in Paris on March 6, see p. 190.

of a man (De Gaulle) who saw only the forest and didn't look at the trees, and he said this was equally bad.

(Department please pass to Paris as Moscow's 62).

[MARSHALL]

740.00119 Council/3-1147: Telegram

*The Secretary of State to the President and the
Acting Secretary of State*

TOP SECRET
URGENT

Moscow, March 11, 1947—11 p.m.

761. Delsec 1291, for the President and Acting Secretary Acheson from Marshall. The CFM met today 11 March from 4 to 7:30 p.m. with me presiding.

It was agreed that the letter from the Inter-Allied Reparations Agency¹ would be considered at the time we considered the overall matter of reparations, and not as a separate item on the agenda.

On the information report Molotov desired on China, both Bevin and myself agreed, and so stated, that it was not a matter for CFM but that we had no objection to an informal exchange of data among the three ministers concerned as an item entirely separate from the Council table. Bidault disassociated France from any discussion thereof. Molotov proposed that any discussions result in a communique such as that of the Moscow Conference, I and Bevin opposed any discussion of such a matter at the Council table. There being no agreement, we passed to the next item.²

On the limitation of occupational troops, Molotov stated that since the item was not included in the agenda agreed upon at New York, he reserved his position. Both Bevin and Bidault indicated no prior objection and hence none now. I stated that the matter was pertinent to the issues we were now considering, that we had circulated our proposal on December 6,³ and believed that it was pertinent to the conference. It was agreed to hold the matter in suspense pending further Soviet consideration.

¹ *Post*, p. 391.

² On March 15 the Secretary of State wrote to Foreign Minister Molotov proposing that they and Foreign Secretary Bevin exchange information concerning the execution of the Moscow declaration on China. The information would be exchanged by April 1 and copies would be sent to the Chinese Government. In a letter of March 24, Molotov agreed to Secretary Marshall's proposal. The Secretary and Molotov subsequently exchanged information in communications dated March 31 and April 1, respectively. For texts of the communications referred to here and other related documentation, see volume VII.

³ Document CFM (46) (NY) 59, December 6, 1946, *Foreign Relations*, 1946, vol. II, p. 1466.

The report of the deputies for Germany on procedure to be followed by CFM in considering ACC report indicated a priority for discussion of important items and recommended a further directive to the deputies to study the matter and make specific proposals after a general discussion on CFM.⁴ The first and only item discussed today in the priority list was demilitarization of Germany.

Bidault was glad to note the non-existence of a German army but expressed concern over the delineation between war potential and industrial potential.⁵ Bevin stated that the British views were contained in the ACC report itself. Molotov then made a prolonged attack on failure of the western zones to demilitarize armed forces and forces of non-German national and suggested instructions to the Allied Control Council as follows: ⁶

A. By 1 July 1947, submit plan for elimination of war industry potential. Such elimination to be completed by the end of 1948 with special emphasis on trusts, cartels, et cetera.

B. Expedite destruction of war material and installations for waging war on land, sea and air, to be completed by the end of 1949.

C. Disband and liquidate by 1 June 1947 all remaining German military and auxiliary units.

D. Disband and eliminate all remaining military units, camp guards and personnel of non-German national.

I stated my general acceptance of the ACC report except for the reduction of heavy industry. The removal contemplated cannot be done without economic agreement and controlling Germany on a purely zonal basis requires a higher level of economy in each zone. I submitted a resolution that CFM note the ACC report on demilitarization and the substantial progress made by ACC therein, and

⁴ The Deputies for Germany held their 31st Meeting (their first meeting during the Moscow Session of the Council of Foreign Ministers) on March 11 at 10 a.m. to consider the order of discussion of the Report of the Allied Control Council for Germany. The report of the Deputies, circulated to the Council as document CFM (47) (M) 4, March 11, not printed, recommended that the Council of Foreign Ministers consider the following questions in the following order:

1. Demilitarization,
2. Denazification,
3. Democratization,
4. Economic principles,
5. Reparations,
6. Displaced persons,
7. Territorial reorganization,
8. Creation of central administrative agencies.

⁵ For the text of Foreign Minister Bidault's statement, see *Déclarations de M. Georges Bidault: Président de la Délégation Française au Conseil des Ministres des Affaires Étrangères: Session de Moscou Mars-Avril 1947* (Paris, Imprimerie Nationale, 1947), p. 5.

⁶ For the text of Foreign Minister Molotov's statement and suggestions, see V. M. Molotov, *Problems of Foreign Policy: Speeches and Statements April 1945–November 1948* (Moscow, Foreign Languages Publishing House, 1949), pp. 343–347.

direct continuation of action along these lines in accordance with ACC agreements and procedures.⁷ I then recommended that Molotov's instructions and my resolution be referred to the deputies for a report.

Bevin stated his desire to study Molotov's and my statements further in writing before committing his government. He then presented a detailed and rather caustic defense against the Soviet allegations, concluding with his view that in spite of misunderstandings on the Potsdam Agreement the ACC seems to have done pretty well.

Molotov stated that the Soviets do not share the general optimism of the other colleagues but accepted my recommendation that the deputies consider our views in greater detail.

At this point Bidault suggested that certain French views expressed in the report should also be considered by the deputies.⁸

Bevin pointed out that much of the confusion was a result of no clearcut definition of war potential plants and cited several examples to support the confusion.

I agreed with Bevin's concern as to what were and what were not war potential plants and stated emphatically that the United States Govt and people desire to see Germany completely disarmed and demilitarized. I said that Germany is not capable of waging war today and we all know it. Further that the Four-Power pact or treaty, in our opinion, would be the determining factor in keeping Germany in a state of demilitarization. I then pointed out that we must avoid dissension over details of procedure on such matters, that allied unity would be the determining factor in continuing the state of German demilitarization.

It was agreed to await Bevin's statement or proposed directive to be presented tomorrow.

The meeting then adjourned.

[MARSHALL]

740.00119 Council/3-1247: Telegram

*The Secretary of State to the President and the
Acting Secretary of State*

TOP SECRET
URGENT

Moscow, March 12, 1947—11 p.m.

776. Delsec 1295. From Marshall to the President and Acting Secretary Acheson. Today's CFM meeting,⁹ 12 March, with Bidault Chair-

⁷ The draft resolution of the United States Delegation described here was circulated to the Council as document CFM (47) (M) 5, March 11, 1947, not printed.

⁸ The French views under reference are printed in *Déclarations de Bidault*, p. 6.

⁹ This was the 3rd Meeting of the Council of Foreign Ministers.

man, proved relatively ineffective. Bevin replied lengthily to charges pressed yesterday by Molotov.¹⁰ Based on shortage of German manpower for her economy, he asked the Soviets for a report of German prisoners of war still held in Allied territory. All four Ministers agreed to furnish this information.

Bevin charged Soviet failure to destroy German capital ships and Molotov accepted charge but gave extenuating reasons. Molotov stated he would report subsequently on progress in this matter.¹¹

Bevin hewed the line that destruction of so-called war potential plants could not proceed much further without agreement on unified German economy. He added that the Potsdam Agreement is seriously affected by Germany's not being treated as an economic unit and felt that the German level of industry plan should be reviewed and brought up to date.

He proposed that Deputies limit their review of ACC report to the facts, leaving policy matters for the Council of Foreign Ministers.

Molotov agreed with the necessity for unified German economy and review of the German level of industry plan, but saw no reason why war potential plants having no peacetime use should not be destroyed at once.¹²

The four delegates appeared to be in general agreement with this view, although no formal statement was made to that effect.

After considerably more discussion along the foregoing lines, most of which appeared to be propaganda for home consumption, it was agreed that the CFM would review and discuss all eight items of the ACC report in the priority proposed by the Deputies and that any directive to the Deputies for further study would be held in abeyance pending complete discussion by CFM.

[MARSHALL]

¹⁰ Foreign Secretary Bevin read a prepared statement on demilitarization which was circulated to the Council as document CFM (47) (M) 8, March 12, 1947; the text of the statement is printed in *Documents on International Affairs 1947-1948*, selected and edited by Margaret Carlyle and issued under the auspices of the Royal Institute of International Affairs (London, New York, Toronto, Oxford University Press, 1952), pp. 417-422.

¹¹ In document CFM (47) (M) 69, March 27, 1947, not printed, the Soviet Delegation stated that "the complete destruction of the ships of category 'C' of the German navy will be fully accomplished in August 1947." The Tripartite Naval Commission had defined category "C" ships as those which were inoperable or those whose construction and repair could not be completed in six months. For the Report of the Tripartite Naval Commission, December 6, 1945, see *Foreign Relations*, 1945, vol. III, p. 1506.

¹² Foreign Minister Molotov's reply to Foreign Secretary Bevin's prepared statement is summarized and quoted from at length in Molotov, *Speeches and Statements at Moscow*, pp. 8-10.

740.00119 Council/3-1047

*Minutes of a Meeting*¹³

SECRET

[Moscow, March 13, 1947.]

Present: Secretary Marshall
Monsieur Georges Bidault
Mr. H. Freeman Matthews
Monsieur Hervé Alphand

GENERAL MARSHALL: "I would have liked to return your visit earlier, but you must understand that being a newcomer to the Council of Foreign Ministers, I am finding some difficulty in adapting myself to it. Up to the present time, I was occupied with conducting war; that is a relatively simple profession, because one understands clearly the objectives to be attained. To make peace seems to me to be a more complicated matter. It is my experience that I form certain opinions when, suddenly, a new element is introduced which is misleading. It is difficult for me to decide on the best methods to adopt."

M. BIDAULT: "Yesterday's session, in fact, was an example of the difficulties of the methods to which you refer."

GENERAL MARSHALL: "I admired the manner in which you yourself presented the problem of demilitarization in such a manner as to avoid giving a too provocative aspect to your proposals."

M. BIDAULT: "I must say that I was a bit disappointed by the reception given to these proposals and I did not understand very well the attitude of Mr. Bevin in this matter. We will have to talk about many complex problems: economic unity, coal, level of industry, war potential, reparations, all questions which are extremely involved with each other. Whereas it was possible to isolate, as I indicated, the question of demilitarization: I regret that it was not done and that the consequence may be general confusion on all the problems which are before us."

GENERAL MARSHALL: "Please note that it is Mr. Molotov himself who proposed that the question of demilitarization alone not be referred to the Deputies in order to examine the other items on the agenda."

M. BIDAULT: "Yes, but what was involved there was only an alternative proposal and which, in any case, did not satisfy the interests of the French Government."

GENERAL MARSHALL: "It must be admitted that the problem is a very complex one."

¹³ The authorship of these minutes is not indicated. Attached to the source text is the original French text from which these minutes were translated. The minutes were probably prepared in French by Alphand and Matthews.

*to G. with
T. with*

I speak to you now as someone who has fought and who knows the Germans. We do not fear so much seeing Germany rising again if a genuine agreement of the Four Powers is established. What we are worried about is a Germany which will ally herself with one or the other of these Four associated powers. On two occasions, at least, in history, she has succeeded in evading obligations which were imposed on her by treaties. The German people are indomitable. If we are not careful, they will start all over again. And we should recall that her motto is: 'Divide in order to rule.'

M. BIDAULT: "That is the very reason for our vigilance and our concern."

GENERAL MARSHALL: "Believe me that the United States is thinking also about the future. In my opinion, the best guarantee for peace is the conclusion of an agreement between the Four Powers, on a sound basis.

While I was Chief of Staff of the American Army, I thought often that the last war could have been avoided on two conditions: on the one hand, if the United States had made a commitment; on the other hand if American military preparation had been more advanced."

M. BIDAULT: "Mr. Byrnes, while he proposed a pact for the Four Powers, seemed a bit surprised and disappointed with our lack of enthusiasm. I must tell you here, in the most clear manner, how I declared on the first day that the French Government attached the greatest importance to the presence of the United States in Europe and, obviously, above all in Germany. We consider that there lies the fundamental element of world peace. But what we fear is that the Four Power Treaty may be considered as a sort of 'substitute' for other guarantees which we believe necessary. Perhaps we have exaggerated our fears. But we firmly believe that a whole series of measures are indispensable to guarantee peace: demilitarization, control, Four Power Pact and alliances, occupation. Each one of them, taken by itself, would not be sufficient to permit us to achieve our objectives.

I hope therefore no one will accuse us of indifference with regard to Mr. Byrnes' proposal, but rather they should remember that the real solutions must be global.

France has various reasons for adopting this attitude. She remembers the Treaty of 1919. In a troubled world where the United States and the Soviet Union can affront each other, it seems necessary to us to superimpose on the Treaties material guarantees of a territorial and industrial character.

The Four Power Treaty constitutes a peaceful gesture, generous, courageous on the part of the United States. However, other guarantees seem to us also indispensable."

→ GENERAL MARSHALL: "I return to your idea of global solution. All that the United States can do to increase the prestige of UN will be done but UN is a very young child, without tradition, without experience, and which has not yet been tested. We must therefore in the immediate future take intermediary measures. The Four Power treaty is, it seems to me, in this respect, essential."

→ M. BIDAULT: "I wish to remind you that it was I myself who at San Francisco took the responsibility of insisting that there be inserted in the Charter measures permitting the negotiation of pacts against the Axis Powers."¹⁴

GENERAL MARSHALL: "The Four Power Treaty is a basic element. On the one hand, it will have in its favor, making known to all countries, and notably France, that the United States agrees to take responsibility in Europe; on the other hand it will serve to make the American people conscious of this responsibility. The necessary measures will be taken therefore by us in order to develop our industry in accordance with commitments made. The President of the United States would not have to spend a lot of time, as President Roosevelt was obliged to do, in order to lead the American people during the war. Many things would, therefore, be simplified in this manner and a greater confidence would exist in international relations.

"Beside the Four Power Accord, I can see the utility of the bilateral treaty, such as that which exists between France and Great Britain. At all times these treaties, in my opinion, have less prime importance than the Four Power Pact. Finally, in the immediate future, we would also have to take measures such as those we are discussing now with regard to demobilization and the level of industry of Germany, but these measures are not the decisive factors. A determined Germany can always evade them if the pact between the Four Powers does not exist.

"I wish to add that this pact seems to me equally fundamental for the solution of the problems in the Far East.

"That is why Mr. Byrnes may have seemed a bit disappointed in stating that this 'revolutionary' change of attitude on the part of the United States had not been fully understood, particularly on the part of France which is one of the principal beneficiaries.

"All the measures which you imagine for the establishment of the future regulation of Germany—except those which concern, for the immediate future, the rebuilding of your economy—seem to me 'superficial', if I compare them with the necessity for the Four Power Pact."

¹⁴ For documentation on the United Nations Conference on International Organization, San Francisco, California, April 25–June 26, 1945, see *Foreign Relations*, 1945, volume I.

M. BIDAULT: "With that exception, in the meantime, it is important in the immediate period as in the future that the French economy not be destroyed by the German economy. We are going to raise these economic questions in the Council. Do you not believe that it may be necessary that our experts have a preliminary exchange of views on this subject?"

GENERAL MARSHALL: "I agree. I think that we must talk first of all about coal. General Robertson has arrived. We can decide to submit this question to study by French, British and American experts."

M. BIDAULT: "I agree. I am going to return once more to the reaction of Mr. Byrnes. I understand his feelings, but I wish to remind you that he for the first time made his proposal at a moment when he discarded simultaneously the suggestions by the French Delegation made with regard to the future of Germany. I myself was a bit surprised then by his attitude and that explains perhaps the sentiment of Mr. Byrnes."

GENERAL MARSHALL: "I knew these problems after the last war. I have personally heard Foch and Weygand talk about them. They were discussing at that time, as now, the Ruhr. The solution of Foch was simple, it was a solution of force. Do you not think that there may be an element of force in the Four Power Treaty? An element of continuity also? What preoccupies me is not what is going to happen in four or five years in Germany, it is the situation in which we will find ourselves within 10 years.

"It is necessary that our public opinion be informed continuously in order that we may counteract propaganda by constantly keeping our peoples informed; it is a consideration which our Department of State will not lose sight of."

It was decided that Mr. Matthews and M. Alphand will take the necessary steps towards arranging an early meeting of American, British and French experts on the question of coal.

740.00119 Council/3-1847: Telegram

*The Secretary of State to the President and the
Acting Secretary of State*

TOP SECRET
URGENT

Moscow, March 13, 1947—10 p.m.

799. Delsec 1297. For the President and Acheson from Marshall. Fourth CFM meeting, Bevin presiding, 13 March.

I opened discussion on denazification with brief statement of our

activities to date and cited lack of uniform implementation in the four zones with consequent distrust incident thereto.¹⁵

I proposed resolution instructing ACC to have enacted a uniform German law based on ACC Directive No. 38 to assure equal and just treatment of all persons.¹⁶

Bidault pointed out that democratization flowed naturally and inseparably from process of denazification and likewise stressed need for uniformity of processes in the four zones. He stated that democratization was interdependent with economic stability on a unified zonal basis, and agreed in principle with my resolution.¹⁷

Molotov expressed dissatisfaction with efforts of Allied Control Council, and launched a lengthy attack against U.S. and British procedures and non-compliance with intent of Berlin agreements.¹⁸

As usual, he glorified complete Soviet compliance. Although stating his agreement in principle to my resolution, Molotov introduced recom-

¹⁵ The statement by the Secretary of State on German denazification was circulated to the Council as document CFM (47) (M) 10, March 13, 1947; for the text of the statement, see *Germany 1947-1949*, pp. 107-109, or Department of State *Bulletin*, March 23, 1947, pp. 522-523.

¹⁶ The text of the resolution proposed by the Secretary of State was as follows:

"The Council of Foreign Ministers notes the report of the Control Council on Denazification and concludes that uniformity of denazification practices and procedures throughout Germany is imperative. It instructs the Allied Control Council to direct the appropriate German authorities to enact a uniform German law based on Control Council Directive No. 38 to assure equal and just treatment of all persons in accordance with the degree of their responsibility, said German legislation to be effective unless disapproved by the Allied Control Council." For the text of Directive No. 38 of the Allied Control Council for Germany, October 12, 1946, under reference here, dealing with arrest and punishment of war criminals, Nazis, and militarists and the internment, control and surveillance of potentially dangerous Germans, see Ruhm von Oppen, *Documents on Germany*, pp. 168-179.

¹⁷ For the text of the first portion of Foreign Minister Bidault's statement on German democratization, see *Déclarations de Bidault*, pp. 7-8. According to the United States Delegation's Record of this meeting of the Council, Bidault's observations on the American draft resolution were as follows:

"(1) The French Delegation agreed in principle to uniform practices in the four zones;

"(2) The French Government does not object to German legislation being substituted for directives of the Allied Control Council on the understanding that these would be issued only by the local Laender in each province;

"(3) There must be unity of legislation and jurisprudence. The method outlined in the United States draft provided that the Allied Control Council give instructions directly to the German authorities. This was a new proposal compared to the existing situation and was not desirable in the view of the French Government. The directives of the Allied Control Council should pass through the intermediary of the Military Commander of each zone. Therefore, the draft should be modified to reach [read] as follows:

"The Council of Foreign Ministers instructs the Allied Control Council to direct the appropriate German authorities through the intermediary of the Allied Commander in each zone to enact a uniform German law based on Control Council Directive no. 38 to assure equal and just treatment of all persons in accordance with the degree of their responsibility, said German legislation to be effective unless disapproved by the Allied Control Council."

M. Bidault said that this would be in conformity with the formula of Directive 38 itself." (CFM Files: Lot M-88: Box 60: USDel (47) (M) 4th Meeting)

¹⁸ For the text of Molotov's lengthy statement on German disarmament and denazification, circulated to the Council as document CFM (47) (M) 9, March 13, 1947, see Molotov, *Problems of Foreign Policy*, pp. 348-358.

mendation directing ACC to take immediate and accelerated measures for denazification. He then went on to state that political zonal disunity seriously jeopardized the end results desired and after attacking both British and US electoral procedures, stated that Soviet belief that in order to obtain a democratic unified Germany the CFM must: (1) give German Democratic parties and Free Trade Unions the right to organize and operate on an all-Germany basis and not to be limited by zones; (2) establish uniform principle of democratic elections with proportional representation; (3) approve ACC recommendation that land reforms be carried out by end of 1947.

Bevin then followed his usual line of counter attack against the Soviet accusations. He cited chapter and verse against the Soviets in as much detail as Molotov had attacked the British and US operations. He expressed a dim view of public press and radio accusations by any government against the other and recommended that when one govt believes irregularities exist, it should inform the other through normal procedures. He then went on record, and asked Council agreement to, his gratification at progress of ACC on denazification.

On democratization, Bevin caustically referred to other elections since the war and stated his opinion that the "list" system was a great contribution to the rise of Hitler. He said we must join to avoid the rise of militant minorities into totalitarian regime which will threaten the security of all of us.

The exchange between Molotov and Bevin, again, as yesterday, was well interspersed with propaganda for home consumption.

I closed the meeting with the statement that I would circulate well before hand, tomorrow, my views on democratization, liquidation of war potential plants, and a statement on our prisoner of war holdings, rather than engage in lengthy procedure of presentation orally with necessity of translating first into Russian and then into French.

Sent Dept as 799, repeated Berlin as 95.

[MARSHALL]

740.00119 Council/3-1447 : Telegram

*The Secretary of State to the President and the
Acting Secretary of State*

TOP SECRET

Moscow, March 14, 1947—9 p.m.

URGENT

819. Delsec 1301. For the President and Acheson from Marshall. Fifth CFM, Molotov in chair, 14 March.

My initial attempt to expedite action of CFM by presenting my views in writing prior to the meeting and thus avoid tiresome reading and two time-consuming translations resulted in a confused discussion among the other three delegates. I therefore read my statement and

included two others I had circulated and had no intention of reading.¹⁹ The waste of time was so evident that I have hopes of later on getting some time-saving procedure approved.

On democratization, I briefly stated our definition of basic human rights, and pointed out that the present allied control of Germany gave all four of us a unique opportunity to demonstrate our sincerity in the democratic goals proclaimed in the Atlantic Charter and United Nations charter. I pointed out that there has been no uniform zonal preparation of Germans for political reconstruction, and specifically in the following five respects, there has been no uniformly effective guarantee in all parts of Germany of (1) civil rights, (2) rights of political parties, (3) rights of free trade unions, (4) freedom of press and radio and (5) freedom of movement for persons and goods. I concluded with statement that these principles are fundamental and that we must all take active part in establishment of these essentials to restore German economic and political life on the foundation they provide.

I then rebutted the accusations levelled yesterday by Molotov against our denazification procedures and our alleged failure to destroy war potential plants in the US Zone.

Bidault likewise rebutted Molotov's similar allegations and reaffirmed his belief that democratization was a slow positive process flowing naturally from the negative process of denazification and that we must proceed slowly before turning Germany over to self-government. He stated the fundamental importance of democratic electoral procedures and land reforms.²⁰

Molotov, in commenting on our democratization paper, stated Soviets were not concerned with generalities of democracy, but only those facts which bore on allied responsibilities in Germany. He said Soviet understanding of freedom of press and radio did not include right to propagandize for restoration of a Hitlerite regime. He picked out freedom of trade unions, and Bidault's mention of land reforms, as items requiring immediate decision by CFM.²¹

Bevin said his government would never again be maneuvered into the position it was in after Potsdam, and accordingly he would make

¹⁹ The statement read by the Secretary of State, which dealt with German democratization, was circulated to the Council as document CFM(47)(M) 13, March 14, 1947; for the text of the statement, see *Germany 1947-1949*, pp. 154-155 or Department of State *Bulletin*, March 23, 1947, pp. 524-525. The statements circulated to the Council by the Secretary at this time were CFM(47)(M) 11, March 14, 1947, regarding the total number of ex-members of the German Armed Forces in U.S. Custody, and CFM(47)(M) 12, March 14, 1947, on the liquidation of war plants in the U.S. zone of occupation in Germany; for the texts of these statements, see Department of State *Bulletin*, March 23, 1947, pp. 523-524.

²⁰ For the text of Bidault's statement, see *Déclarations de Bidault*, pp. 8-9.

²¹ For the text of Molotov's statement, see Molotov, *Speeches and Statements at Moscow*, pp. 17-19.

no decisions on any items until we had decided the future status of Germany from political and economic viewpoints.

Bevin then asked the CFM's to present factual data on reparations removed from Germany. Molotov said he would present his views on this later when reparations were discussed. Bevin retorted that he assumed the data would be made available then. Molotov declined to comment.

[MARSHALL]

740.00119 Council/3-1547 : Telegram

*The Secretary of State to the President and the
Acting Secretary of State*

TOP SECRET

Moscow, March 15, 1947—midnight.

URGENT

833. Delsec 1307. For the President and Acheson from Marshall. Sixth CFM of 15th March, Marshall presiding.

The German Deputies reported their agreement to establishment of an advisory and information committee but split evenly and violently on inclusion of Albania as member.²² The Soviets and French supporting, the British and US denying Albanian membership. The Soviet Deputy attempted to refer dispute to CFM for immediate decision but after lengthy discussion of procedure, the CFM directed the Deputies to proceed with their work and complete report on procedure for drafting German treaty by Thursday.²³

Bidault opened discussion on displaced persons expressing concern over high population density of Germany and natural adventurous

²² The Deputies for Germany had continued at Moscow the meetings which they had begun in London in January. At their 32nd Meeting, March 12, the Deputies had resumed their consideration of the question of the procedure for the preparation of a German Peace Treaty. At their 34th and 35th Meetings, March 14 and 15, the Deputies for Germany had discussed the French proposal for the establishment of a Committee of Consultation and Information, which had been set forth in document CFM(D) (47) (G) 68, February 21, 1947, p. 32. In accordance with a proposal by the Soviet Delegation, the Deputies had agreed to set up not a Committee of Consultation and Information but a Consultation and Information Meeting and agreement was also reached also with respect to some aspects of the procedure to be followed in such a "Meeting". No agreement could be reached, however, with respect to the inclusion of Albania in such a "Meeting".

²³ British Foreign Secretary Bevin was particularly opposed to having the dispute referred to the Council for immediate decision. Bevin's position was summarized in the following excerpt from the United States Delegation Record of this Council meeting:

"Mr. Bevin said that there was one point about this matter that disturbed him. If at a meeting of the Deputies agreement could not be reached, and if one of the Deputies said that no further business could be done unless he could get his way before the Ministers, this would seem to be a very improper way to proceed. It had been the practice in the past to put disagreements in brackets and submit them to the Ministers." (CFM Files: Lot M-88; Box 60: USDel (47) (M) 6th Meeting)

desire of Germans to spread to adjacent less populous countries. This, he said, combined with numerous Germans still to find their way back to Germany, will result in density ratio three times that of France. To safeguard security of Europe and provide for political and economic stability of Germany, Bidault stated following must be done: (1) no further transfers of German population above those already agreed; (2) if agreeable to all states concerned, discontinuance of transfers agreed at Potsdam; (3) allow no permanent settlement of displaced persons in Germany, and speed up their repatriation or resettlement to areas outside Germany; (4) organization of German emigration and France was prepared to overcome her repugnance and accept Germans.²⁵

Bevin acknowledged receipt of reports from other delegates of prisoners of war held outside Germany, but deplored lack of indication of "rate of return" to Germany. As regards Allied DPs, he stressed agreed policy of no forced repatriation but use of encouragement to return to homes. He stated that these people cannot be supported in idleness by British and must be resettled, some in Germany, as quickly as possible.

Bevin said their own governments, for reasons unknown to him, are unwilling to admit DPs of former enemy countries. It is difficult, he continued, for me to understand why 110,000 Poles in the British zone, in spite of all legitimate pressure, refuse to return to Poland and assist in rehabilitation of their country. The financial burden on our country's tax-payers, Bevin said, is becoming unbearable. As for Germans, the British zone is becoming daily more crowded with them, mostly from east of the Oder-Neisse. The time has come, Bevin said, to reconsider the entire population problem of Germany, in the light of existing agreements and burdens borne to date. In the meantime, the British zone can accept no more Germans from outside areas, except under previously agreed commitments. Bevin then proposed a special German committee, operating under ACC, to prepare quotas for equitable redistribution of Germans within the four zones, treating Germany as a whole for this purpose.

Vyshinsky, presenting Soviet view at Molotov's request, expressed concern over Soviet and other Allied citizens in western zones who, through Fascist pressure and propaganda, were constrained from returning to their native lands.²⁶ Following this line, he attacked procedures in western zone, and recommended that a four-power commission be established to investigate conditions in DP's camps in the western zone.

²⁵ For the text of Bidault's statement summarized here, see *Déclarations de Bidault*, pp. 11-13; for a variant text, see *Documents on International Affairs 1947-1948*, pp. 422-424.

²⁶ Vyshinsky's statement was circulated to the Council as document CFM(47)(M) 17, March 15, not printed.

I said the problem of displaced persons had been fully debated in the UN Assembly, that our attitude was well known and had not changed and that to deal with the question in the CFM might complicate efforts of the International Refugee Organization, which had been created with our full support to solve this problem.²⁷

The Council then turned to the problem of the territorial reorganization of Germany. Vyshinsky accused the commanders of the western zones of attempting unilaterally to federalize Germany by altering boundaries for provinces and states in their zones.²⁸ I pointed out that Potsdam calls for the de-centralization of Germany and that the state boundaries we have fixed are only provisional. I suggested that further discussion of this question be included in our discussion of the provisional government for Germany.²⁹

The Council adjourned after deciding to meet again Monday to discuss the questions of economic principles and reparations.

[MARSHALL]

740.00119 Council/3-1747 : Telegram

*The Secretary of State to the President and the
Acting Secretary of State*

TOP SECRET

Moscow, March 17, 1947—11 p. m.

URGENT

856. Delsec 1308. For the President and Acheson from Marshall. Seventh CFM 17 March, Bidault presiding.

Bevin conceded by reaffirming British position that economic unity of Germany is essential. He proposed revision of level of industry plan and stated that while it is essential to remove Germany's potential for war, it is also essential to maintain her potential for peace. He stated flatly that no additional financial burden to the UK was acceptable, and agreed that economic unity must be associated with our intentions on political unity. On reparations, Bevin said that any plan depends on large measure on cooperation from the German people, but we cannot expect this without a clear, reasonable, firm and unified plan of the controlling powers. His proposals to obtain this were submitted for later consideration.³⁰

²⁷ For the text of the Secretary's statement on displaced persons, circulated to the Council as document CFM (47) (M) 19, March 15, 1947, see Department of State *Bulletin*, March 23, 1947, p. 526.

²⁸ Vyshinsky's statement on the territorial reorganization of Germany was circulated to the Council as document CFM (47) (M) 18, March 15, not printed.

²⁹ The Secretary of State's statement on territorial reorganization was circulated to the Council as document CFM (47) (M) 20, March 15; for the text of the statement, see *Germany 1947-1949*, pp. 152-153 or Department of State *Bulletin*, March 23, 1947, pp. 525-526.

³⁰ For the text of Foreign Secretary Bevin's statement, which was circulated to the Council as document CFM (47) (M) 24, March 17, see *Documents on International Affairs 1947-1948*, pp. 424-427.

Molotov objected to economic unity of the Anglo-American zones as being contrary to previous agreements and adding nothing but chaos to the problem. He pointed up the opportunity for British and American industrialists to penetrate the area and establish economic empires.

Molotov continued his usual line of attack on the three western occupying powers in the field of reparations, concurrently lauding Soviet activities in this regard. He opened all stops and pressed all pedals in describing the damage done to the Soviet Union by Germany during the war, giving all his figures in dollars. He held steadfast to the Crimea protocol and further confused the issue by urging coordinated allied action to rehabilitate German peace-time economy to provide much-needed goods for war-torn nations. He deplored what he called the "cock-sureness" of monopolistic industrialists in the British-American zones, and their attempts to revive cartels, trusts and other forms of capitalistic monopoly. He then tabled his measures for the economic unity of Germany for later discussion.³¹

I then stated that I did not agree with the basis or logic of much that Molotov had said, but that charges and countercharges get us nowhere except to develop greater differences. "They do not solve our problems," I said, "they only complicate them." I indicated complete understanding on the part of the American people of the losses suffered during the war by the Soviet Union and our other allies and stated that in all of our discussions we will have these facts clearly in mind.

I stressed that the key to the solution of Germany's economic problem is economic unity and that is vital to the success of the occupation and the future peace of the world. I considered the program under six headings, all designed to promote a stable economy within Germany and a system of export and import to establish a balance of trade, including withdrawal of reparations. I said "We cannot accept a unified Germany under a procedure which in effect would mean that the American people would pay reparations to an ally". I defended the Anglo-American zonal merger and again invited France and Soviets to participate on the same basis. I then tabled a proposed directive for the Allied Control Authority to treat Germany as a single economic unit.³²

³¹ For the text of the statement and proposals by Foreign Minister Molotov, circulated to the Council as document CFM (47) (M) 23, March 17, see *Documents on International Affairs 1947-1948*, pp. 427-439 or Molotov, *Problems of Foreign Policy*, pp. 359-378.

³² For the text of the Secretary of State's statement on the treatment of Germany as an economic unit, which was circulated to the Council as document CFM (47) (M) 26, March 17, see *Germany 1947-1949*, pp. 441-444 or Department of State *Bulletin*, March 30, 1947, pp. 564-567. For the text of the proposed directive to the Allied Control Authority, circulated to the Council as document CFM (47) (M) 27, March 17, see *Germany 1947-1949*, pp. 444-445 or Department of State *Bulletin*, March 27, 1947, pp. 567-569.

I continued by relating unified economy, revised levels of industry, and reparations as inseparable for the accomplishment of our end and desires.³³

The remarks this afternoon were all read from previously prepared statements. Reading last and struggling through two laborious translations, I held the meeting till even Molotov was restless. I then took occasion to apologize for my time consuming procedure and referred to the failure of the Council to accept my previous recommendation that the meeting be limited to discussion and that prepared papers be distributed beforehand but not read and translated at the table. While I perhaps revived interest in this method of procedure, no decision was made.

Compare with Report in '45
[MARSHALL]

CFM Files : Lot M-88 : Box 60 : USDel Minutes

*United States Delegation Minutes, Council of Foreign Ministers,
Eighth Meeting, Moscow, Aviation Industry House, March 18,
1947, 4 p.m.*

SECRET

USDel (47) (M) 8th Meeting

PRESENT

U.K.

Mr. Bevin (Chairman)
Sir William Strang
General Robertson
Sir Maurice Peterson
Mr. Hall-Patch

FRANCE

M. Bidault
M. Couve de Murville
General Catroux
M. Alphand
M. St. Hardouin

U.S.A.

Secretary Marshall
Mr. Dulles
Mr. Cohen
Lt. General Clay
Mr. Smith
Mr. Bohlen

U.S.S.R.

M. Molotov
M. Vyshinski
M. Gousev
M. Smirnov
Marshal Sokolovsky

³³ For the text of the Secretary of State's statement on reparations, circulated to the Council as document CFM (47) (M) 28, March 17, see *Germany 1947-1949*, pp. 411-412 or Department of State *Bulletin*, March 30, 1947, pp. 563-564.

STATEMENT OF THE FRENCH DELEGATION ON ECONOMIC PRINCIPLES
AND REPARATIONS

M. BIDAULT presented the views of the French Delegation on the questions of economic principles and reparations. His statement is being issued as document CFM (47) (M) 29.³⁴

HEARING OF REPRESENTATIVE OF THE INTER-ALLIED
REPARATIONS AGENCY

M. MOLOTOV inquired whether there were any remarks with regard to hearing a representative of the Inter-Allied Reparations Agency. He proposed that the Council hear a representative of the Agency.

M. BIDAULT reiterated the desire of the French Government that a representative of the Inter-Allied Reparations Agency be heard by the Council.

SECRETARY MARSHALL stated that he disliked very much to oppose the hearing by the Council of a representative of the Inter-Allied Reparations Agency. He deplored spending a considerable amount of time hearing such representative on a question with regard to which the Ministers are all in agreement. We are all in agreement, he said, that deliveries of capital equipment should be resumed and carried out quickly. We are not in agreement, however, as to the detailed way in which such deliveries should be carried out. He did not see how executive officers of the Inter-Allied Reparations Agency could help the Ministers solve this problem. He was concerned about the time that might be spent in such a hearing and also concerned about establishing a precedent.

SECRETARY MARSHALL suggested that, if these executives be heard, their report at the Council table be limited and that they go into such detail as desirable before the Deputies. He concluded by remarking that he was more interested in having representatives of the eighteen countries themselves discuss the matter before the Deputies later with respect to the German peace treaty.

MR. BEVIN stated that he was concerned about Executive officers of the Council being heard by the Council. He agreed that they might be heard by the Deputies and suggested that they be heard first by the Deputies. If we do not do that, he said we will get in trouble with the eighteen countries, for we will be putting an executive agency ahead of the government, by hearing the agency before establishing means for the governments themselves to be heard. He strongly advised that the representative of the Inter-Allied Reparations Agency be heard

³⁴The text of Foreign Minister Bidault's statement is printed in *Déclarations de Bidault*, pp. 14-20. For a summary of the statement, see telegram 864, Delsec 1313, March 18, from Moscow, *infra*.

by the Deputies. He concluded by remarking that the problem was really one for the Western Powers, since the IARA countries have to receive reparations from the western zones of Germany.

M. Molotov stated that the question of reparations is an unusual one insofar as it concerns many countries. This is the second communication that the Council has received from the Inter-Allied Reparations Agency.³⁵ The first was received in New York³⁶ and the second by the Deputies in London. It would not be right to refuse to hear proposals in which so many governments are interested.

With respect to Mr. Bevin's point that it was a question concerning the western zones alone, he remarked that consideration[s?] of the eastern zones are being discussed here and accordingly there was no reason why questions of the western zone should not also be discussed. He declared that he was ready to accept Secretary Marshall's suggestion that there be a short hearing by the Ministers and thereafter a more extensive discussion before the Deputies.

MR. BEVIN suggested the reverse procedure, stating that the IARA representatives should first present their views before the Deputies and if the Deputies report to the Ministers that they have something to say that the Ministers do not know, then the Ministers can hear them.

M. Molotov stated that the Soviet Government does not conceal the fact that it wants reparations from Germany, nor does it conceal the amount which it wants. From many utterances of representatives of the western powers, one might think that the western powers do not want reparations. However, it must be remembered that Great Britain and the United States have already received considerable reparations from Germany. They have received all the gold found in the western zones, German external assets except for those in eastern Europe, the German commercial fleet, and German patents and inventions. Press reports say that these reparations amount to more than ten billion dollars. Great Britain, the United States and France are at present receiving reparations from current production, e.g., coal and lumber from southern Germany.

MR. BEVIN stated his agreement with Secretary Marshall that constant recrimination does no good. He had read in the Russian press such statements as M. Molotov had just made. They were not true; in fact they were quite amusing. With respect to German patents, he said all these have been published in a book; they are open and available

³⁵ *Post*, p. 391.

³⁶ The earlier communication to the Council of Foreign Ministers from the Inter-Allied Reparations Agency, dated December 13, 1946, circulated to the Council as document CFM (46) (NY) 78, December 14, 1946, is printed in *Foreign Relations*, 1946, vol. II, pp. 1562-1563.

to the world, including the Soviet Union. Mr. Bevin suggested again that the IARA representatives be heard by the Deputies first, stating that other countries which requested to come here have not been invited and that it would personally put him in a difficult position if this procedure were not adhered to. Moreover, he expressed his hope that before the Council concludes its meeting an agreement might be reached with respect to participation of the belligerent allies in the examination of the German problem.

MR. BEVIN also referred to the fact that he had on a previous day offered to put on the table just what the United Kingdom had obtained from Germany by way of reparations. He had prepared figures on this matter and hoped that the other Ministers will likewise submit figures on this matter.

M. MOLOTOV noted that of all the Ministers, only Mr. Bevin objected to the hearing of a representative of the Inter-Allied Reparations Agency.

As to Secretary Marshall's remark yesterday regarding the futility of charges and counter-charges he declared that one purpose of the meeting of the Ministers is to provide an opportunity for them to state their comments with respect to agreements which had not been fulfilled. He noted that Secretary Marshall's very statement had contained a recrimination against the Soviet Union, and he thought that one had to be more logical and should apply one's own principles to one's self.

He repeated that the Soviet Delegation is concerned that agreements be fulfilled and must make comments where this is not the case. Mr. Bevin is not right, he said, in suggesting that the data on the reparations from the western zones comes from the Soviet press. The Soviet press gets news from the international press.

With respect to the value of German patents, M. Molotov referred to a statement of Mr. J. C. Green, Executive Secretary of the Bureau of Publications of the United States Department of Commerce, in which Mr. Green had commented on the immense value to the United States of these patents.

With respect to Mr. Bevin's suggestion concerning data on reparations, M. Molotov declared that the Soviet Delegation has never refused to submit data on reparations and will do so if the other Powers likewise submit detailed data on reparations which they have received.

SECRETARY MARSHALL declared that in view of M. Molotov's remarks, he felt obliged to make the following re-statement of the United States position:

The United States has not accepted ownership of captured German gold and is holding it for disposition by the Inter-Allied Agency.

The Hungarian gold has already been returned. We have used United States scientists to obtain information on German science, including patents, all of which information is being published in pamphlets and made available to the rest of the world. As a matter of fact, Amtorg, the Soviet Purchasing Agency in the United States, has been so far the biggest single purchaser of these pamphlets. The pamphlets cost a nominal fee to cover printing and administrative expenses. No ten billion dollars in reparations is involved. With respect to M. Molotov's citation of a statement of Mr. J. C. Green, Secretary Marshall said that he had been handed the following letter dated February 18, 1947, sent to an official of the State Department by Mr. Green: ³⁷

"I wonder if it might not be appropriate for General Marshall (during his trip to Moscow) to make inquiry concerning Russian acquisitions of technology from their zone of occupation. I have been repeatedly informed that the Russians did not take any technology out of their zone, but have seen no authoritative statement. If they, as I suspect, have taken scientific and technical information from their zone of occupation, we would appreciate access to it on similar terms to which they are acquiring the mass of material released by this office.

"I hope that General Marshall or someone on his advisory staff will have an opportunity to look into this matter when in Moscow."

The United States, Secretary Marshall continued, has not taken over any money received for exports from its occupation zone of Germany. These proceeds have all been plowed back into the German economy in order to make it self-supporting. At the same time the United States has contributed large sums of money from appropriated funds to provide relief to the Germans.

Returning to the subject of hearing a [an] IARA representative, Secretary Marshall declared that if executive officers of the Inter-Allied Reparations Agency are to be heard, he agreed with Mr. Bevin that his original proposal should be re-ordered so that they should first appear before the Deputies and thereafter perhaps make a limited appearance before the Ministers. He suggested that the Deputies report on this Thursday and that they tell the Ministers whether the representatives of the Inter-Allied Reparations Agency can tell the Council more than the representatives of the countries have already done. Further action can be decided upon then, he concluded.

M. BIDAULT stated that Secretary Marshall's proposal was acceptable to the French Delegation. The French Delegation regarded as important that the representatives of the Inter-Allied Reparations:

³⁷ The circumstances attending the reading of the letter that follows are described in Lucius D. Clay, *Decision in Germany* (Garden City, New York, Doubleday & Company, Inc., 1950), p. 151.

Agency be heard, but it did not consider the order of such hearing important.³⁸

M. BIDAULT then stated that France has never received any reparations from current production, that all products received from Germany have been paid for, that in particular coal has been paid in dollars at market prices. M. Bidault proposed that further discussion of the question of hearing representatives of the Inter-Allied Reparations Agency be adjourned.

It was agreed to adjourn further discussion on this question.

STATEMENT OF THE UNITED STATES DELEGATION REGARDING THE RELATION OF THE POTSDAM AGREEMENT ON REPARATIONS TO YALTA PROTOCOL

[Here follows the text of the statement by the Secretary of State printed in *Germany 1947-1949*, pages 371-372 and in Department of State *Bulletin*, March 30, 1947, page 564.]

The meeting was adjourned at 7:05 p.m.

740.00119 Council/3-1847 : Telegram

*The Secretary of State to the President and the
Acting Secretary of State*

TOP SECRET
URGENT

Moscow, March 18, 1947—10 p. m.

864. Delsec 1313. For the President and Acheson from Marshall. Eighth CFM, 18 March, Bevin presiding.

Bidault opened by stating that security was the first consideration of France in any discussion of Germany's economic unity. Secondly, he said, France wanted adequate reparations and a balance of German payments sufficient so that occupation costs would not have to be paid by the occupying powers. He felt that these requirements could be met and still provide a decent standard [of] living to Germany.

Bidault proposed the creation of an international agency to control the use of all German coal and opposed raising the previously agreed level of the German steel industry. He referred to the creation of a special regime for the Ruhr and reaffirmed the French position that German economic unity is acceptable only if the Saar is integrated at once into the economic and monetary system of France. He said France

³⁸ According to the Agreed Record of Decisions of this Council meeting, not printed, the Council agreed that the Deputies for Germany should be instructed to hear representatives of the I.A.R.A. and report whether the Agency should furnish more information than the countries who were members of the Agency had already submitted to the Deputies. The Council could then decide what further course to follow. (CFM Files: Lot M-88: Box 60) For the Deputies Report to the Council on the hearings given to the representatives of the I.A.R.A., see document CFM (47) (M) 98, April 3, 1947, p. 434.

could not approve the creation of central German administrative agencies until the German frontiers were fixed. He suggested that the Deputies be asked to define "economic unity" in order that the Council could decide what agencies were necessary to effect unity.

On the subject of reparations, Bidault asked that removals be resumed and speeded up. He accepted in principle and suggested that close study be given to taking reparations from current production. He saw a danger for the future in the desire of the US, UK and USSR to raise the German level of industry and said that France could not accept an increase in the agreed level without the assurance that French views on the future of Germany would be adopted.

He repeated French acceptance of the draft US demilitarization treaty for Germany, but said that later he would propose additional clauses dealing with economic disarmament and sanctions. He tabled a detailed proposal on reparations.

There followed a rather heated exchange on reparations between Bevin and Molotov which led up to Bevin's stating that the UK would list reparations it has received from Germany and hoped that the other powers would do likewise.

In answer to Molotov's charges, I stated that we had taken no reparations from Germany and had in fact spent US funds in our zone; further, that we had made freely available to all the German patents obtained by US. In answer to Molotov's interpretation yesterday of the Crimea decision, I reaffirmed our position that the agreements at Potsdam superseded the preliminary agreement on the subject reached at Yalta.

Considerable discussion failed to result in a decision on whether the Council is to hear representative of the Inter-Allied Reparations Agency and further discussion was deferred until tomorrow.

[MARSHALL]

740.00119 Council/3-1947: Telegram

*The Secretary of State to the President and the
Acting Secretary of State*

TOP SECRET
URGENT

Moscow, March 19, 1947—11 p.m.

892. Delsec 1318. For the President and Acheson from Marshall. Ninth CFM, 19 March, Molotov presiding.

Bevin opened on economic unity and reparations, agreeing for the need of central administrative agencies, revision of level of industry plan and a sound financial plan. He supported over-all consideration of the problem as against Molotov's piecemeal handling and reiterated

British stand that German payments for imports must have equal priority with reparations, not out of sympathy for Germany, but in order to reduce the cost of occupation to Allies. He supported the Potsdam Agreement provided it was implemented as an entity. On the Ruhr, he opposed any quadri-partite control as a separate problem, but agreed that when four-power control of all Germany was settled, the Ruhr would naturally be included. He felt that steel production of 11 million tons per year should be left to Germany to establish an adequate level of industry. He refused to consider annulment of bi-zonal merger as demanded by Molotov, until complete economic unity was obtained. He stated categorically that a reparations plan is inseparable from a level-of-industry plan, and that in arriving at economic unity, we must have agreement to complete freedom of movement, sharing of indigenous resources, sharing of expenses both past and present, and an equitable export-import plan. Bevin called impractical and unworkable Bidault's demand for a definite proportion of Germany's coal production, and asked for a spirit of compromise around the CFM table. He concluded by asserting his complete objectivity in approaching the whole problem of economic unity and stated that the solution of this problem was really the key to what we all allegedly wanted in Germany.

Molotov then stated that the Soviets took the Potsdam decision as the basis for their consideration of the problem. He pointed out that there seemed already to be general agreement on most of the points discussed and saw no reason why a compromise solution could not be reached. He linked economic unity and reparations as inseparable at Potsdam and inseparable now.

On reparations, Molotov blamed the failure of western zones to pay reparations rapidly as reason for unilateral action taken by eastern zone military authorities. But stated that he was ready to account for every kopek. He maintained that Potsdam did not prohibit payment of reparations from current production and insisted that German industry must be set at a level to insure her internal needs, payment of imports, and reparations. He accepted in principle Bidault's contention that a definite coal allocation be guaranteed France, and compared, favorably to the Soviets, the current coal production in western and eastern zones. As to the Ruhr, he said no single nation should attempt to control this area since it is the heart of German military potential, but hoped that quadri-partite control would occur through a plan for economic unity.³⁹

I concurred in Molotov's exposition of the possibility of general agreement on these matters, however grave the present differences ap-

³⁹ For the text of the statement made by Molotov at this time, see Molotov, *Problems of Foreign Policy*, pp. 379-390.

peared. I pointed out that the rapidly changing Soviet viewpoint on increasing German steel production highlighted clearly the danger of a program for paying reparations from current production. "We must avoid at all costs," I stressed, "establishing conditions in Germany similar to those after the first World War, when in an incredibly short period of time, Germany, through increased production for reparations and foreign loans, was able to build up her internal economy geared for war." "At same time", I said, "under no conditions should we set her economy so low that a democratic way of life could not hope to survive in Germany."

The Ministers adjourned with the promise to hear Bidault on this subject tomorrow.

[MARSHALL]

740.00119 Council/3-2047: Telegram

*The Secretary of State to the President and the
Acting Secretary of State*

SECRET

Moscow, March 20, 1947—11 p.m.

URGENT

914. Delsec 1323. For the President and Acheson from Marshall. Tenth CFM 20 March, Marshall presiding. Bidault opened by stating that he had nothing to add to the previously expressed French view on the Saar, and that as regards the Ruhr, France had held since the end of 1945 that it should come under a special regime, involving international control. He felt that this matter should be started at once and not await a complete economic unity for Germany. He took exception to Bevin's prior views on coal, pointing out that it was the basis of French economy and yet the per capita consumption in Germany was presently greater than that in France. He stated categorically that he could not agree on the problems of economic unity, level of industry and reparations, without a previous settlement that France's coal requirements would be met. He then proposed that Germany's steel production be limited to 7½ million tons per year. Bidault suggested that the Deputies be directed to define economic unity and to make a plan for the central agencies that would apply such unity. After discussing reparations, he proposed further study on the matter.⁴⁰

Bevin discarded, with considerable emphasis, Bidault's condition that France must get the coal she needs before they discuss economic unity and related matters. He deplored such a method of opposition in the settlement of a treaty which affects all the world. He stood fast

⁴⁰ For the text of Foreign Minister Bidault's statement on the economic principles of a German settlement, which was circulated to the Council as document OFM (47) (M) 35, March 20, see *Déclarations de Bidault*, pp. 20-25.

on Britain's view on the Ruhr and suggested that we hear all ACC matters before directing the Deputies to report.

Vyshinsky, as Chairman of the German Deputies, then made a preliminary report which indicated general agreement to the formation of 4 committees to lay the framework for the German peace treaty. He continued by pointing out the present status of disagreements within the Deputies and asked for 3 additional days in order that the Deputies might agree on a formal report indicating their disagreement.

The CFM authorized the Deputies 3 additional days, called for the Austrian Deputies to make a progress report tomorrow, and agreed to discuss the Provisional Government of Germany tomorrow if time were available.

Repeated London 90, Paris 70, Vienna 7, Berlin 126.

[MARSHALL]

CFM Files : Lot M-88 : Box 60 : USDel Minutes

United States Delegation Minutes, Council of Foreign Ministers, Eleventh Meeting, Moscow, Aviation Industry House, March 21, 1947, 4 p.m.

SECRET

USDel (47) (M) 11th Meeting

PRESENT

FRANCE

M. Bidault (Chairman)
M. Couve de Murville
General Catroux
M. Alphan
M. Paris

U.S.

Secretary Marshall
Ambassador Smith
Mr. Cohen
Mr. Dulles
General Clark
Mr. Bohlen

U.K

Mr. Bevin
Sir William Strang
Lord Hood
Sir Maurice Peterson
Mr. Hall-Patch

U.S.S.R.

M. Molotov
M. Vyshinski
M. Gousev
M. Smirnov
Marshal Sokolovsky

REPORT OF THE DEPUTIES FOR AUSTRIA

GENERAL CLARK (The text of General Clark's oral report follows:)

At the meeting of the Austrian Deputies this morning, we discussed the form in which the Progress Report which the Ministers called for

yesterday should be presented this afternoon. It was unanimously agreed that it would be done by a brief written report⁴¹ followed by a verbal presentation of important points of issue.

There has been circulated a statistical report of the progress accomplished to date on the various Articles of the Austrian treaty, broken down under appropriate headings such as Political, Military, Economic, and Final Clauses. This report shows the number of Articles under each category which have been agreed to, those which have been discussed and not agreed to, and those which have not been discussed. In connection with the undiscussed Articles, although they have not been discussed by the Deputies, practically all have been under consideration of subordinate committees and many are now ready for detailed study by us.

The Deputies decided this morning that in the verbal report this afternoon I should give a brief discussion of the various Articles which have not been agreed to which contain issues sufficiently important to be brought to your attention. There are 17 of these. In that discussion I will present the major points of difference involved under each Article, without attempting to give the positions of the various Delegations.

If it is the desire of the Council of Foreign Ministers to receive a written report of this verbal presentation this afternoon, it can be available sometime tomorrow.

I will now proceed to the discussion of these disagreed Articles, commencing first with the Preamble, followed by Political, Military, Economic, and Final Clauses.

Preamble. The Preamble is almost entirely agreed to with the exception of two points, which I will now discuss.

The *Political Clauses* have been gone over thoroughly both in London and in Moscow. There are 16 Articles involved, of which 8 are agreed, 7 disagreed. Six we consider major disagreements which I will now present to you, and one on Displaced Persons which, although it has not been discussed by us, is mentioned briefly.

The *Military Articles* have been thoroughly examined, both in London and in Moscow. There are 19 Articles involved, of which 7 are completely agreed, 11 disagreed. Five contain important disagreements and will now be discussed. One Article, on Commission of Military

⁴¹ The Report of the Deputies for Austria, circulated to the Council as document CFM (47) (M) 42, March 21, 1947, is not printed. The Report merely indicated which articles of the draft Austrian treaty had been agreed upon by the Deputies, which articles had been discussed but not fully agreed, and which articles had not yet been discussed. For the text of the draft Austrian treaty subsequently referred to the Council by the Deputies for Austria, see document CFM (47) (M) 82, March 29, 1947, p. 516.

Experts, has not been discussed by the Deputies, but will be touched upon briefly.

Progress on the *Economic Clauses* has not advanced nearly as far as the Political and Military and Final Clauses. The reason for this is due to the fact that little progress was made on these subjects at London. Several Delegations had not tabled their various viewpoints in writing, hence serious discussion really commenced in Moscow. There are 25 Articles involved, of which 1 is agreed, 9 disagreed, and 15 undiscussed by the Deputies. The Deputies this morning felt that there were only 3 major points of issue which should be brought to the attention of the Ministers at this time. They are as follows.

Final Clauses. There are only 4 involved in this category, of which 2 are agreed, 2 contain minor disagreement of insufficient importance to be brought to your attention at this time.

PREAMBLE

There are two issues:

(a) Whether the Four Powers and Austria are to be the only states designated as signatories or whether the invited states are to be named along with the Four Powers and Austria in the Preamble or elsewhere in the treaty as states entitled to sign;

(b) Whether Austria is to be charged with the responsibility for participation in the war or whether the consequences of such participation are to be noted.

POLITICAL CLAUSES

Article 2—Preservation of Austria's Independence

Issue: Whether it is necessary to include clauses in the treaty providing for obligations on the part of the Allied and Associated Powers and on the part of Austria to preserve Austria's independence and territorial integrity.

Article 4—Prohibition of Anschluss

There are two issues:

(a) The inclusion of a requirement that Austria shall not impair her territorial integrity;

(b) The prohibition of Pan-German propaganda in any form whatsoever.

Article 5—Frontiers of Austria

Issue: Whether the frontiers of Austria shall be those of January 1, 1938, or whether the Yugoslav claims to territory in Southern Carinthia and Styria should be recognized.

Article 6—Naturalization and Residence of Germans in Austria

Issue: Whether to include a clause disqualifying all Germans or certain categories of politically undesirable from naturalization by Austria and residence in Austria.

Article 11—War Criminals

Issue: Whether Austria shall be obliged for an indefinite period to surrender to United Nations Governments upon their request without presentation of satisfactory evidence, persons designated as war criminals and collaborators by United Nations Governments.

Article 16—Displaced Persons

Issue: The issue to date is to obtain a basis for discussion of this subject which has so far been deferred pending the submission of a paper promised by the Soviet Delegation.

MILITARY CLAUSES

Article 17—Limitation of Austrian Armed Forces

Issue: Whether Austria shall be prohibited from arming her authorized military and air forces with weapons and equipment of other than Austrian manufacture. This issue is raised in both paragraph 3 of this article and paragraph 4 of Article 26.

Articles 22, 23 and 29—Prohibitions on Certain Research, Experimentation and Manufacture and on the Possession and Stock-piling of Certain Materials and Equipment.

Issue: Whether, in an effort to prevent the rearmament of Germany on Austrian territory, Austria shall have imposed upon her a much greater number of prohibitions and limitations than were imposed upon the satellite states. These prohibitions and limitations would be in the fields of research, experimentation, production, possession and stock-piling in relation to certain products equipment and raw materials which might be used in the manufacture of war materials in excess of Austria's authorized requirements.

Article 24—Reduction of Military Potential of Austria

Issue: Whether Austria will be able to meet the requirements for the local defense of her frontiers, a military task which is authorized under Article 17, if she is prohibited from building any new permanent fortifications and other military installations along her frontier and is, at the same time, prohibited from re-establishing fortifications and military installations destroyed in accordance with instructions from the Allied Commission for Austria.

Article 32—Commission of Military Experts

Issue: Whether the competency of the Heads of Mission shall be extended to provide for a long-term control, by a Commission of Military Experts acting under the Heads of Mission, of the execution of the military clauses of the Treaty.

Article 33—Withdrawal of Armed Forces

Issue: Whether the Allied Commission for Austria should terminate on the entry of the treaty into force or at such time thereafter as the Allied Forces are withdrawn.

ECONOMIC CLAUSES

Article 35—German Assets in Austria

The main issues are: The determination of what assets are to be transferred as reparations and of what procedure is to be followed in making the transfers. The difficulty at present confronting the Deputies arises over the question of whether or not *legal title* to the assets has already been transferred.

Article 36—Restitution by Austria

Issue: Whether Austria shall be required to restore "in good order" United Nations property which was looted by the Axis Powers and which is found in Austria. This question involves considerations similar to those which arise in connection with the article I discuss next on United Nations property in Austria.

Article 42—United Nations Property in Austria

Issue: Whether Austria shall be required to pay compensation, and if so, how much, for United Nations property in Austria which was damaged, dissipated or destroyed as a result of the war. (See CFM (47) (M) 42) (End of General Clark's report.)

[For the summary of the remainder of this meeting of the Council of Foreign Ministers, see *infra*.]

740.00119 Council/3-2147 : Telegram

*The Secretary of State to the President and the
Acting Secretary of State*

URGENT

Moscow, March 21, 1947—11 p.m.

CONFIDENTIAL

927. Delsec 1330. For the President and Acheson personal from Marshall. Eleventh CFM, 21 March, Bidault presiding, received writ-

ten progress report from deputies for Austria.⁴² Clark supplemented report on behalf of deputies with a statement covering seventeen important points of issue upon which the deputies have been unable to reach agreement including: ⁴³

(A) Whether the Four Powers and Austria are to be the only states designated as signatories or whether the invited states are to be named along with the Four Powers and Austria in the preamble or elsewhere in the treaty as states entitled to sign; and

(B) Whether Austria is to be charged with the responsibility for participation in the war or whether the consequences of such participation are to be noted.

There are six major disagreements on the political clauses of the treaty and five on the military articles. Progress on the economic clauses has not advanced nearly so far as on the other clauses and disagreement exists on the questions of United Nations property in Austria, restitution by Austria, and most important, German assets in Austria.

Marshall pointed out that failure of the deputies to agree on the German assets question is one of the principal obstacles in the way of further progress on the Austrian treaty and he proposed a method to speed up consideration of the question by the deputies.^{43a} The Council agreed to discuss the United States proposal on Tuesday and instruct the deputies for Austria to present their full report on the draft treaty on Saturday the 29th. Marshall proposed and other members agreed to invite representatives of the Austrian Government to come to Moscow to present their views to the Council and the deputies for Austria.⁴⁴

The Council then turned to consideration of the provisional German Government, the next item on its agenda. Bevin tabled an outline of United Kingdom views on the future German government and said he wanted the Council to agree on a practical scheme for the future German government rather than on a generalized statement of

⁴² See footnote 41, p. 267.

⁴³ For the text of Gen. Clark's oral report, see the United States Delegation Minutes, *supra*.

^{43a} For the text of the Secretary of State's statement on German assets in Austria, see Department of State *Bulletin*, March 30, 1947, p. 571. The American proposals to speed up consideration of the Austrian treaty, which were in the form of an informal memorandum by the United States Delegation, were circulated to the Council as document CFM (47) (M) 76, March 20, not printed.

⁴⁴ According to the United States Delegation Minutes of this Council meeting, Molotov associated himself with Marshall's proposal and pointed out that the Soviet Government had already agreed to a request from Austrian Foreign Minister Gruber for visas for an Austrian Delegation to come to Moscow. Regarding the Austrian request to be invited to Moscow, see also telegram P-6905, March 17, from Vienna, p. 504.

the problem. He stated that he opposed a highly centralized government and did not want to see one party or one authority be given a chance to gain complete control of Germany as did Hitler. He said a solution of the basic German problems plus favorable consideration of the draft Four-Power demilitarization treaty proposed by the United States will allow the Allies to hold Germany until it is a democratic and peaceful state. He said the first stage must be a provisional government under Allied control but that the aim must be a government accepted by the Four Powers, the world and the German people. He said the Potsdam arrangement for central German agencies responsible only to ACC must be considered as temporary and that in the future government, bureaucracy must be responsible to the German people through their elected representatives. He favored placing power in the German people, then in the *Laender*, and finally, to a limited extent, in a central German government.

Marshall stated that the victorious Allies had been forced to take over the responsibilities of the German state temporarily but that the time has now come to authorize the Germans to establish a provisional government to deal with matters of nationwide concern which the states cannot adequately handle. He said he would submit later detailed proposal for building a German government in three stages:

(1) Establishment of a provisional German government composed of heads of governments of the now existing states and *Laender* and clothed with necessary powers to create and operate central administrative agencies;

(2) Drafting and acceptance of a constitution consistent with democratic principles and the decentralization of governmental authority, with residual powers retained by the *Laender*;

(3) Assumption of governmental authority by a central government created by the constitution and by the *Laender* authorities recognized by the constitution. He concluded by stating that the above process should be gotten under way at once so there will be properly constituted German authorities to carry out the terms of the peace settlement.⁴⁵

Repeated to London as 92, Berlin as 136.

Department please pass to Paris as Moscow's 75 and Rome as Moscow's 8 and Vienna as Moscow's 10.

[MARSHALL]

⁴⁵ For the text of the Secretary of State's statement summarized here, which was circulated to the Council as document CFM(47) (M) 44, March 21, 1947, see *Germany 1947-1949*, pp. 188-189 or Department of State *Bulletin*, March 30, 1947, p. 569. For the text of the detailed proposal referred to here by the Secretary and subsequently circulated to the Council as document CFM(47) (M) 49, March 22, 1947, see *Germany 1947-1949*, pp. 189-190, or Department of State *Bulletin*, March 30, 1947, pp. 569-570.

740.00119 EW/3-2347

Memorandum of Conversation, by the Secretary of State

TOP SECRET

[Moscow,] March 22, 1947.

Mr. Bevin called on me at 12:45 and left at 2:30. We had lunch together.

GREECE

[The portion of this memorandum dealing with Greece is included in the documentation on U.S. Economic and Military Aid to Greece and Turkey, in volume V.]

REPARATIONS

Mr. Bevin stated that he had only attended the Potsdam Conference during its last four days, arriving Saturday and the Conference completing work the following Wednesday, and had a very brief time to gain impressions. He himself was not clear on the over-riding completeness of the Potsdam Agreement on reparations in relation to the previous tentative agreement at Yalta. In other words, he did not feel that reparations from current production were by the Potsdam Agreement completely barred. Mr. Bevin reiterated his statements that the British Government would not commit itself to any reparations out of current production until Germany had been made self-sustaining.

Mr. Bevin then inquired how fixed our stand was regarding reparations from current production—to what extent were we determined to stand on our statement that there should be no retreat from Potsdam to Yalta.

I told Mr. Bevin that we were clear in our minds, particularly those gentlemen who had been present at both Yalta and Potsdam, that the Potsdam Agreement completely superseded the Yalta expressions regarding reparations. I summarized our view of the existing situation, that is (a) the fact that the transfer of plants and machinery generally had not been a profitable procedure (b) that the Soviets by their policy of a five-year plan for the building up of the military potential of their government now found themselves in a difficult, if not desperate, economic plight in some sections of the country and therefore would be the more determined in their negotiations to obtain reparations from current production, particularly during the next two years (c) that we had been examining the situation to see if there might not be some procedure such as the operation in Germany of reparation plants for the benefit of the Soviets, they providing the raw materials, etc., which would permit a form of reparations from current production without delaying the creation of a self-supporting German economy.

I indicated the political impossibility of securing agreement by an American Congress to a course of action which involved the indirect payment of reparations and I opposed this with the view that the Soviet demand for some form of reparations out of current production during the next two years would be implacable.

Mr. Bevin said that he felt that it would require very expert investigation to determine whether or not such a course of operating reparations plants in our zones for the benefit of the Russians, they furnishing the raw material, was practical.⁴⁶

He then turned to his relations with the French and explained that he had agreed prior to coming to Moscow on at least two occasions to delay any cut in the export of coal deliveries because of critical French election situations, but finally had been forced to advise Mr. Blum that he could go along no longer on that basis, that critical repairs would have to be made in order to really get ahead on the matter of production and had counseled a frank statement to this effect by Mr. Blum to the French people. Then Bidault had approached him for another delay and later had stated that unless a suitable adjustment in coal was made for France, the French could not go through with this conference regarding other matters. He had told Bidault that that was not acceptable procedure and advised him not to bring it up in the Conference. However, it had been brought up and I had heard his remarks on the subject. He added that they were made as much for Molotov's benefit as for Bidault's—that he was opposing this business of stating that unless there was an agreement on one point, they would not go ahead on others, and that it would be his course throughout the Conference. He would not submit to such procedure. He stated, incidentally, that Mr. Molotov had been trying to draw him on the reason for the slow development of the capacity of the Ruhr mines, which in Mr. Bevin's opinion was caused by his concession to the French to meet their political crisis which had thus delayed the genuine reconditioning of the mines.

There followed a discussion on the Polish boundaries, density of population, and related matters, during which Mr. Bevin gave ex-

⁴⁶ On March 23, Foreign Secretary Bevin wrote the following letter to the Secretary of State:

"I have been thinking over our private talk of yesterday, and I feel that you should know that His Majesty's Government would not find it possible to agree to any settlement of the German problem involving reparation from current production which would entail further expenditure by His Majesty's Government. The terms of the Loan and Fusion Agreement with the United States, and our heavy and widespread liabilities contracted as a result of two wars, render it impossible for us to assume further financial burdens. His Majesty's Government cannot contemplate imposing more sacrifices on the British people, who, as I feel sure you will recognize, are already undergoing sacrifices at least as acute as those of many other nations whose difficulties, being more obvious, excite the sympathy of the world." (740.00119 EW/3-2347)

pression to no definite and important points of view. He did not state what the stand of the British Government would be on the subject.

I failed to mention in the first place that I told Mr. Bevin that the American Delegation felt that it was very important to make no concessions, especially at this time, if ever, on the Potsdam Agreements, particularly as related to reparations.

G. C. MARSHALL

740.00119 Council/3-2247 : Telegram

The Secretary of State to the Acting Secretary of State

SECRET

Moscow, March 22, 1947—7 p.m.

957. Delsec 1334. Personal for Acheson. We may be able to complete a draft of the treaty with Austria at Moscow. Discussion of the preamble will raise the question of who are to be parties to the treaty as all active belligerents were invited to present their views to the deputies at London and the following expressed written or oral views on the Austrian treaty: Australia, Austria, Belgium, Canada, Czechoslovakia, Denmark, Greece, Italy, Netherlands, New Zealand, Poland, South Africa, Ukraine SSR and Yugoslavia. There has been no insistent demand for a special conference on the Austrian treaty except from Australia. I know the importance which Senator Vandenberg attaches to consultation on as broad a base as possible with our allies in any discussions of a German settlement with which I am in full accord. In view of his responsibilities in connection with the ratification of any Austrian treaty will you discuss the matter with him and ascertain whether it would be agreeable to him for us to proceed on the assumption that the Austrian treaty may be completed and signed by the four states here and then circulated for signature or adherence by other countries thereafter. The treaty would contain provision as in the satellite treaties that it would come into force upon ratification by the four.

This procedure would have the great advantage of expediting the termination of the occupation of Austria and likewise terminating the presence of troops in Rumania and Hungary to protect Soviet lines of communication. Because of the fact that the treaty with Austria is not a "peace treaty", because of the fact that many of the proposals involved were thoroughly considered at the Paris Conference in the settlement of the satellite treaties and because of the fact that the states most immediately concerned have had a chance to present their views at London, we hope that the conditions necessary for the withdrawal of troops from Austria, Rumania and Hungary will not be added to by any extensive further conference. We know furthermore that the

Austrian Government, which is one of the few governments in that area of Europe truly representative of the people of the country, attaches great importance to the early final conclusion of the treaty.

We would, of course, make clear that Austrian treaty procedure establishes no precedent for Germany and that we plan to insist on a peace conference for the German settlement.

Mr. Dulles concurs.

[MARSHALL]

740.00119 Council/3-2247 : Telegram

*The Secretary of State to the Acting Secretary of State*⁴⁷

URGENT

Moscow, March 22, 1947—10 p.m.

CONFIDENTIAL

963. Delsec 1336. The 12th CFM meeting, March 22, Bevin presiding, taken up by further discussion of the provisional political organization of Germany. At the conclusion of the meeting the Council accepted Marshall's suggestion and appointed a special committee⁴⁸ to coordinate and compare proposals made by the various ministers on points discussed by the Council during its consideration of the Allied Control Council's report. To allow each delegation time not only to prepare any additional proposals or modify its proposals but also to study those of other delegations, the Council will not meet Sunday or Monday. Tuesday⁴⁹ it will hear the Committee's report which will list points of agreement and disagreement. CFM will then be able to discuss the issues and decide on the procedure to be followed in referring these matters back to the special committee.

⁴⁷ In telegram 922, Delsec 1326, March 21, from Moscow, not printed, Secretary Marshall directed Acting Secretary Acheson as follows:

"In order to keep our major Embassies informed of CFM proceedings, I am now having my daily reports written in third person and transmitted to the Department for the President and you, Vandenberg and Connally, and our Ambassadors at London, Paris, Berlin and Vienna. These will continue to be completely factual without opinion or prognostication and most of information will, of course, subsequently appear in press under present full coverage procedures. Classification probably no higher than confidential. When I am ready to express opinions, look into the future, or request guidance, my messages will clearly indicate to whom and with what distribution they are addressed." (740.00119 Council/3-2147)

⁴⁸ The Coordinating Committee, as it was formally designated, was constituted as follows: United States—Gen. Clay, United Kingdom—Gen. Robertson, France—Alphand, and the Soviet Union—Vyshinsky. At the end of March, Gen. Clay left the conference and returned to Berlin. His place on the Coordinating Committee was taken by Robert Murphy and James Riddleberger. Between March 24 and April 11, the Committee held fourteen meetings and submitted to the Council of Foreign Ministers the following reports: CFM (47) (M) 64, March 26, p. 401, CFM (47) (M) 74, March 28, p. 409, CFM (47) (M) 101, April 4, not printed, CFM (47) (M) 105 rev., April 8, not printed, and CFM (47) (M) 121, April 11, p. 436.

⁴⁹ March 25.

Molotov began his discussion of the provisional political organization of Germany by stating that the USSR is not guided by a spirit of revenge but that its aim is the establishment of a democratic and peaceful Germany. He opposed "federalizing" Germany, which he said would result in a situation in which German militarists could assume the leadership of a popular movement to recreate a unified Germany, thus defeating the Allies policy in Germany. He foresaw other serious dangers in "federalization" but stated that if the German people voted in a free election for such a policy, the Allies should not oppose this decision. He urged the immediate necessity of creating central administrative agencies as well as a provisional German government in order that appropriate German organizations could be held responsible for carrying out Germany's obligations to the Allies and in order to avoid further delay in achieving German economic unity.

Molotov proposed that ACC be instructed to draft a provisional German constitution after hearing the views of representative Germans. He suggested that ultimately the new German state be a republic with a two-chamber legislature which would draft a permanent constitution to be approved by the German people. The permanent constitution would contain civil and religious guarantees and provide for the popular election by proportional representation of an all-German Parliament. *Laender* constitutions would be similar to the all-German constitution. He urged the revival of the pre-Hitler form of Germany's government and noted that there were many ideas in the Weimar constitution which might be useful in the new constitution.⁵⁰

Bidault said that in order to avoid the recreation of a centralized and militaristic Germany, France desired to apply as much as possible the principles of political decentralization and the development of local governments. All governmental powers, he added, should be in the states which are members of the German federation. The central government would possess only those delegated powers which would be necessary to provide services for Germany as a whole. He said Germany must again serve an apprenticeship in democracy and its methods which could only be done at a local level. Stating that the new government of Germany must be developed by states, he said he favored organizing German states which would however, be given the largest

⁵⁰ For the text of Foreign Minister Molotov's principal statement at this meeting, which was circulated to the Council as document CFM(47)(M)46, March 22, 1947, see Molotov, *Problems of Foreign Policy*, pp. 391-399. The major portion of Molotov's statement is also printed in *Documents on International Affairs 1947-1948*, pp. 449-453. For the text of some additional remarks made by Molotov at this Council meeting, see Molotov, *Speeches and Statements at Moscow*, pp. 45-46.

possible number of political and economic powers. He said that if the Council reached agreement on the economic unity of Germany, France would agree to the creation for all Germany, except the Saar, of provisional central economic organizations necessary to provide service for all of Germany. He opposed the creation of a provisional government for Germany as being premature, but agreed to study proposals for both a provisional and a permanent government for Germany.⁵¹

Marshall said his impression was that there is much in common in the four proposals for the future political structure of Germany. He urged the Council to concentrate on the substance of the proposals and avoid disagreement over words. He said the differences were more than a question of degree than fundamental. Bevin said he agreed and hoped the Council would approach the problem practically and not get tied up with words. Molotov added that he also believed the various proposals contained much in common and agreed that German political development should be by stages.

The Council adjourned after adopting the Marshall proposal on procedure.

Moscow passes to London, Department and Berlin. Department please pass to Paris as Moscow's 79, to Rome as Moscow's 10 and Vienna as Moscow's 11.

[MARSHALL]

740.00119 Council/4-247

*British Record of a Conversation at the Kremlin, March 24, 1947,
10:00 p.m.-11:15 p.m.*⁵²

TOP SECRET

PRESENT:

Generalissimo Stalin	Mr. Bevin
Mr. Molotov	Sir Maurice Peterson
Mr. Zarubin	Mr. Dixon
Mr. Troyanovsky (Interpreter)	Mr. Paton Smith (Interpreter)

Introductory

MR. BEVIN, after enquiring after the Generalissimo's health, said that he was sorry not to be at home to welcome the Soviet Parliamentary Delegation.

⁵¹ For the text of Foreign Minister Bidault's statement summarized here, and circulated to the Council as CFM(47)(M)48, March 22, 1947, see *Déclarations de Bidault*, pp. 29-31.

⁵² At their meeting on March 26, Foreign Secretary Bevin went over this record in detail with Secretary of State Marshall; see the memorandum of that conversation, p. 289. Secretary Marshall sent copies of this record to President Truman and Acting Secretary Acheson.

GENERALISSIMO STALIN said that the Secretary of State could still be home in time to see them.

MR. MOLOTOV agreed. He hoped we should finish our work here by the end of March.

Germany: Reparations from current production

MR. BEVIN pointed out that there were several difficult questions still to be settled, for example the question of reparations from current production.

GENERALISSIMO STALIN said that Russia was not asking for a great deal.

MR. BEVIN said that we could only agree that reparations should be paid at Germany's expense and not at ours. We must get a balanced economy in Germany.

GENERALISSIMO STALIN said that we must not allow Germany to build up a new war potential.

MR. BEVIN thought it was the Allies themselves who had allowed Germany to build up a war potential after the 1914-18 war by fixing reparations which caused developments beyond peace-time requirements.

GENERALISSIMO STALIN pointed out that after the first world war, the Allies had not occupied Germany. In his view the aim should be to develop a peace-loving Germany having a balanced economy, as Mr. Bevin suggested, and a reasonable amount of metal, coal and chemicals for export.

Polish Western Frontier

THE SECRETARY OF STATE asked what the Generalissimo's views were on the problem of the density of the German population and the provisional Polish frontier. He thought we had fixed the provisional frontier between Germany and Poland too far to the west, and this might create an explosive situation in the future.

GENERALISSIMO STALIN observed that a great many Germans had already been killed in the war. In Belgium the density of population was higher than in Germany.

MR. BEVIN thought that an irredentist movement would be fostered if the frontier was fixed so far to the west.

GENERALISSIMO STALIN answered that there were now not many Germans left in the territories which had been taken from Germany. He thought that Germany could be prevented in the future from any attempt to recover territories of which she was deprived.

Economic Unity

MR. BEVIN asked whether the Generalissimo thought that we should be able to agree on a settlement providing for a sound economic unity for Germany.

GENERALISSIMO STALIN said that it would be well to reach agreement on that.

MR. BEVIN thought that agreement was possible if a balanced economy for Germany could be decided on, providing for recovery by us of our expenditure.

GENERALISSIMO STALIN said that that was what he too was striving for.

MR. BEVIN recalled that at Tehran the idea of the Generalissimo and Mr. Roosevelt and Mr. Churchill had been that Germany should be broken up, though the British Cabinet had never formally endorsed the proposal. At Potsdam the Russians had reversed their attitude and had suggested the idea of central administrations. For our part we thought it a mistake to go too far in the direction of centralisation, for reasons of our security.

GENERALISSIMO STALIN said that he thought that the draft proposals for the future of Germany which had been tabled by Mr. Molotov were not in contradiction with Mr. Bevin's ideas. The Russian idea was that there should be centralisation of power and decentralisation of administration in Germany, as before the Hitler regime. Hitler had only been able to seize power after first annulling the Weimar constitution. He thought that the Weimar constitution could be restored in the main, although he was against some of its provisions, for example, the provision regarding the power of the President to suspend the constitution.

(THE SECRETARY OF STATE interposed that he had himself pointed this out at the Council table.)

Continuing, GENERALISSIMO STALIN said that under the Russian proposals, administration would be in the hands of the Landtags, the rights of the *Länder* would be fully protected and the central German authority would not control the military departments. He saw no dangers for security in this. In any case, he agreed that the administration of Germany should be less centralised than that of Italy or Japan.

MR. BEVIN observed that he had tabled proposals on Friday last, while Mr. Molotov had tabled his on Saturday, and that there seemed not to be much difference between the Russian and the British proposals.

GENERALISSIMO STALIN said he thought so too. It would be good to come to an agreement.

The Ruhr

MR. BEVIN said that at earlier conferences the Russians had several times raised the Ruhr. We were strongly in favour of the Ruhr receiving similar treatment to any other part of Germany, but it would be very difficult if the Ruhr was taken away, leaving the British Zone as

a little rump. In our view, all German industry, including industry in the Ruhr, should be under Allied control, and we would submit to the Allied authority there. To make it clearer he would put it this way: if agreement on economic unity was reached and German central administrations were set up, we would allow the production and allocation of all materials in the Ruhr to be dealt with by the German central administrations, under Allied supervision, in the same way as the production and allocation of all other materials throughout Germany as a whole.

GENERALISSIMO STALIN said he would have to think this over. Perhaps Mr. Bevin was right, but he could give no definite opinion as this was a new position to him. At Potsdam the suggestion had been that the Ruhr should be a separate region. At all events he would not wish to do anything in the Ruhr which would do harm to Great Britain. That he could say definitely.

Four Power Treaty

THE SECRETARY OF STATE asked the Generalissimo for his views about the American proposed Four Power Treaty for the disarmament and demilitarization of Germany. We had thought it over and considered that it would be beneficial to have such a treaty in the interests of cooperation between the Powers in the future.

GENERALISSIMO STALIN at first thought the proposal was for a treaty with Germany. When he had been corrected on this point and after consulting Mr. Molotov, the GENERALISSIMO recalled that at Paris the Soviet Delegation had made certain criticisms of the treaty which Mr. Byrnes had apparently said that he would consider. These concerned democratisation, reparations and the duration of the treaty. If these criticisms were taken into account, the Soviet Union would in principle like to have a treaty of that sort. They would probably also have other amendments to propose.

Revision of Anglo-Soviet Treaty

THE SECRETARY OF STATE said that he thought that it would be good, during his present stay in Moscow, if the Treaty could be revised in accordance with his correspondence with the Generalissimo.⁵³

GENERALISSIMO STALIN said: "Very good. We want it also".

THE SECRETARY OF STATE remarked that everybody was very busy with the Conference, but perhaps Mr. Molotov or Mr. Vyshinski could discuss the question with the Ambassador.

MR. MOLOTOV said that Mr. Vyshinski had already told the Ambassador he was ready to open conversations.

SIR MAURICE PETERSON said that Mr. Vyshinski had promised to fix a day for opening discussions soon but had not done so.

⁵³ For additional documentation regarding the proposed revision of the Anglo-Soviet Treaty of May 1942, see volume IV.

GENERALISSIMO STALIN said that the Russians would try to expedite this matter as far as they could.

Egypt

THE SECRETARY OF STATE recalled that the last time he had seen the Generalissimo they had spoken about Egypt.⁵⁴ He now wanted to make it clear that we could not accept the position that a bilateral treaty could be denounced by one of the parties. We held to our Treaty of 1936 with Egypt. We considered that the Middle East, which was an important area for our communications, was one of our spheres of influence, and we thought that we should remain there unless matters were altered by regional arrangements under the United Nations. In two wars we had defended the Allied cause from that area. It was a vulnerable area.

MR. BEVIN explained that we were trying to make a mutual defence arrangement with Egypt. It would be apparent from this arrangement that the area was not being used for offence against any of our Allies. We adhered to that policy.

GENERALISSIMO STALIN said that he understood. He recalled that he had once said that if Great Britain had not been in Egypt, the Egyptian Government might well have turned Nazi.

(MR. BEVIN interposed; "I agree".)

GENERALISSIMO STALIN said that the Soviet Union had no intention of interfering in the carrying out of British policy in Egypt.⁵⁵

Persia

THE SECRETARY OF STATE said that there was no truth in certain Press stories that we were attempting to prevent a Soviet oil concession in Northern Persia. In fact, we would, if occasion arose, advise the Persian Government to live up to their agreement with the Russians.

GENERALISSIMO STALIN said that he was very grateful.

MR. BEVIN continued that we for our part had our interests in Southern Persia and had no intention of interfering with the normal independence of the country.

GENERALISSIMO STALIN said: "We hold the same position".⁵⁶

MR. BEVIN said that he was sorry to take up so much of the Generalissimo's time but he would like to mention another country which they had discussed when they last met.

⁵⁴ The reference here is presumably to the Stalin-Bevin meeting on December 19, 1945, during the Moscow Conference of Foreign Ministers. For the text of a portion of the British record of that meeting, see *Foreign Relations, 1945*, vol. II, p. 688.

⁵⁵ For documentation on the interest of the United States in the negotiations between the United Kingdom and Egypt for a revision of the Anglo-Egyptian Treaty of August 26, 1936, see volume v.

⁵⁶ For documentation on the question of a Soviet oil concession in northern Iran, see volume v.

India

MR. BEVIN said we were trying to settle this difficult problem in the interests of world-peace in such a way as not to prevent India having friendly relations with us and our Allies.

GENERALISSIMO STALIN interrupted the interpreter to say that there were so many subjects for them to discuss because they had not met for so long. India was a very difficult question.

MR. BEVIN said that he foresaw dangers when the Indians obtained their independence unless all acted with great care.

GENERALISSIMO STALIN said that Russia was not interfering "and we wish success to Great Britain in the enterprise she has started in India."⁵⁷

[Here follow exchanges between Stalin and Bevin on the questions of Anglo-Soviet trade, possible reciprocal air service between London and Moscow, proposed cultural exchanges, the status of Soviet wives of British subjects, and a site for a new British Embassy in Moscow.]

Questions by Generalissimo Stalin

MR. BEVIN asked whether there was anything that the Generalissimo would like to ask him.

GENERALISSIMO STALIN asked whether the coal crisis in England was serious or was it merely a noise in the Press.

MR. BEVIN said it was serious, being caused mainly by two reasons. Firstly, during the war we had shipped to some of our Allies much electrical machinery. Owing to the war we had not been able to build new machinery and thus when after the war the consumption went up the capacity was deficient. Secondly, between the wars we had not pursued a policy of encouraging the miners to remain in the pits. When he became Minister of Labour the miners had been 84th on the Wages List. He had remedied that, but after the war we had been left short of labour for the mines. We were now modernizing the pits and improving housing conditions for the miners, but it would take about two years for us to get sufficient production for home and export.

GENERALISSIMO STALIN said that Russia had had the same difficulties. The men did not want to work underground. The Soviet Government similarly had raised miners' wages and they were now more highly paid than qualified metal workers. Was the crisis in England now over? Was it still serious?

THE SECRETARY OF STATE said that, though the situation was still serious and we should have to be careful next winter, we were confident that we could surmount our difficulties.

GENERALISSIMO STALIN suggested that we ought to take coal out of

⁵⁷ For documentation on the interest of the United States in the emergence of the Dominions of India and Pakistan, see volume III.

the Ruhr as reparations from Germany. Why could we not get more Ruhr production?

THE SECRETARY OF STATE said that we felt that Ruhr coal after satisfying German needs should be left for France, who needed it. He explained that the reason for low production was that the overhead machinery had been largely destroyed by Allied bombing.

GENERALISSIMO STALIN observed that the Germans should be forced to repair the machinery and made to mine more coal.

GENERALISSIMO STALIN said that he had no more questions to put. All the questions he had thought of asking had been raised by Mr. Bevin.

MR. BEVIN told the Generalissimo on leaving that we really wanted our relations to be cordial and happy. If the Soviet Government was concerned about our actions, he hoped that they would send for Sir M. Peterson or instruct their Ambassador to enquire of him (Mr. Bevin), who would do the same. We did not want unfriendly feelings on either side. We would do our best to work with the Russians, as he felt sure they would with us.

GENERALISSIMO STALIN said that he was very glad that he and Mr. Bevin thought in the same way. He too wished for the two countries to work together.

CFM Files : Lot M-88 : Box 60 : USDel Minutes

United States Delegation Minutes, Council of Foreign Ministers, Thirteenth Meeting, Moscow, Aviation Industry House, March 25, 1947, 4 p.m.

SECRET

USDel (47) (M) 13th Meeting

PRESENT

U.S.S.R.

M. Molotov (Chairman)
M. Vyshinski
M. Gousev
Marshal Sokolovsky

U.K.

Mr. Bevin
Sir William Strang
Lord Hood
Sir Maurice Peterson
General Robertson

U.S.

Secretary Marshall
Ambassador Smith
Mr. Cohen
Mr. Dulles
Ambassador Murphy
Mr. Bohlen

FRANCE

M. Bidault
M. Couve de Murville
General Catroux
M. Alphan
M. St. Hardouin
M. Paris

REPORT OF THE DEPUTIES ON THE PROCEDURE FOR THE PREPARATION OF
A GERMAN PEACE TREATY

MR. MURPHY began to read the report but Secretary Marshall asked if the reading could be dispensed with. It was agreed that the report need not be read.

M. MOLOTOV suggested taking the first part of the Report on Procedure made by the Deputies (See CFM/47/M/60/Annex)⁵⁸ paragraph by paragraph. He noted that there were no differences in the first two paragraphs and that the first difference occurred in the third paragraph with regard to the participation of Albania in the preparation of the Peace Treaty.

[Here follows a statement by Secretary Marshall on Albania and a statement in reply by Foreign Minister Molotov. For the complete text of Marshall's statement, see *Germany 1947-1949*, page 197, or Department of State *Bulletin*, April 6, 1947, pages 608-609. For the text of Molotov's reply, see Molotov, *Speeches and Statements at Moscow*, pages 46-47.]

MR. BEVIN said that there was one other country which ought to be mentioned when naming those who were to participate and that was Persia.⁵⁹ Mr. Bidault said that the French Delegation did not wish to enter the arena of argument but wished to say that they had accepted Albania's participation because they had noticed that Albania had been given a place on I.A.R.A. and had had a share in the reparations. He had nothing else to add.

SECRETARY MARSHALL noted that M. Molotov had said that Albania was given reparations under the Italian Treaty and the right to share, under the Paris Reparations Agreement, in German reparations but Albania had not been given the right to attend the Paris Peace Conference as a member or to sign the treaty. It did not seem that Albania, not having declared war or been admitted to the United Nations, should be given a part in the German Peace Treaty. The United States Delegation did not see its way clear to Albania's being put in a more favorable class than certain other allies that might be mentioned.

MR. BEVIN had mentioned Persia. Secretary Marshall said that he would like to call attention to the American reservation under paragraph 2 (see page 2, CFM/47/M/60). He said:

[Here follows Secretary Marshall's statement on the question of the association of Allies with the Council of Foreign Ministers; for full text, see *Germany 1947-1949*, page 198, or Department of State *Bulletin*, April 6, 1947, pages 607-608.]

⁵⁸ See footnote 48, p. 397.

⁵⁹ In a note dated March 17, 1947, to the Heads of the Delegations to the Council of Foreign Ministers, circulated to the Council as document CFM(47)(M)25, March 19, not printed, the Iranian Ambassador in the Soviet Union renewed his government's request for participation at the German peace conference.

MR. MOLOTOV said that it was pointed out that Albania had not declared war against Germany and that therefore it could not take part in the Peace Conference. He would like to point out that Denmark was to be allowed to participate although she had not declared war. He asked that a similar exception be made in the case of Albania.

He said that the fact that Albania had taken part in the war on the side of the Allies could not be disputed nor that the Allies had approved the inclusion of Albania in the work of I.A.R.A., which determined the right of the states to reparations from Germany and their share.

It was correct that Albania did not participate in the Paris Peace Conference but then it was decided that Albania had the right to reparations from Italy and after the conclusion of treaty that she could be an Associated Power. These facts recognized the contributions made by Albania.

MR. MOLOTOV noted that Iran had been mentioned. He said that the Soviet Delegation had raised the question at the Deputies and recalled that the Soviet Union as well as Great Britain had undertaken obligations in 1942 promising support to Iran's participation in the peace negotiations in which it was directly interested. The Soviet Delegation now asked that this agreement be supported directly by the Council of Foreign Ministers.

MR. MOLOTOV said that when the subject of the Consultation Conference was raised, in the course of discussion, the Soviet Delegation would express its views.

M. BIDAULT said that the French Delegation remembered that it was the first to raise this question, specifically on the 11th of July, 1946, that all Allied States should be asked at least to give their opinions at the Peace Conference. He said that the French Delegation, with other delegations, had envisaged two systems: the first, to associate more closely those countries who had contributed effectively with their armed forces to the war and who were most interested; the second, for those who simply declared war without effective contribution. The first system consisted of the participation at the Consultation and Information Conference, at the Committees and Sub-Committees of the Council. The second system consisted of the opportunity to express views at the Council or Deputies. It was difficult to make the allocation between the first and second systems. The United Kingdom had proposed that Iran be added under the first category and the United States had proposed that the system of participation in the Consultation and Information Conference apply to all the Allies. He said that the French Delegation was ready to examine both proposals but was not in a position to give an opinion today since the proposals involved

practical consequences and the risk might be run of there being a Conference of 54 and not 24 states, which would be a mistake.

M. BIDAULT proposed referring the question of participation to the Deputies for them to report on this matter, discussion of which had been too long delayed.

MR. BEVIN said that he would like to express the United Kingdom's position with regard to Persia. He said that Persia had done what she had been asked. She had remained on the line of communication and had done what she was asked. He said that she should be joined to the 18 invited states.

MR. MOLOTOV said that M. Bidault had proposed that the question of Iran and the composition of the Consultation and Information Conference be referred to the Deputies.

SECRETARY MARSHALL said that he was in complete agreement with and supported this proposal but wished to add one comment. The United States supported the right of Iran to participate just as it also supported the right of all states at war to participate.⁶⁰

He pointed out that a number of American Republics had abstained from sending troops on the suggestion of the United States that they could contribute more in other ways and so avoid involving the United States in heavy shipping difficulties.

MR. MOLOTOV said that he agreed with Mr. Bidault's proposal that the question of Iran and the composition of the Consultation and Information Conference and with Mr. Marshall's suggestion regarding certain other countries be referred to the Deputies for preliminary examination.⁶¹

[For a summary of the remainder of the discussions at this meeting of the Council, see *infra*.]

740.00119 Council/3-2547 : Telegram

The Secretary of State to the Acting Secretary of State

CONFIDENTIAL
URGENT

Moscow, March 25, 1947—8 p.m.

1013. Delsec 1345. For the President, Vandenberg, Connally and Acheson from Marshall. 13 CFM, 25 March, Molotov presiding,

⁶⁰ Regarding the attitude of the United States Government with respect to participation by Iran in the discussions concerning the German peace settlement, see the note of March 17, 1947, from the Acting Secretary of State to the Iranian Ambassador, p. 491.

⁶¹ In a note of April 6, 1947, to the Council of Foreign Ministers, not printed, the Iranian Ambassador in the Soviet Union expressed appreciation for the Council's consideration of Iran's request to participate in the German peace settlement. The note was circulated to the Council as document CFM (47) (M) 108, April 7, 1947, not printed.

opened with Ambassador Murphy presenting report of deputies on procedure for German peace treaty. They agreed on the title, on preparation of treaty by CFM composed of members of Council signatory to military surrender act in accordance with Potsdam Agreement, on consultation with allied states which participated with armed forces against Germany or are neighbors of Germany, on formation of four permanent committees as follows: (1) political and constitutional structure, (2) territorial adjustments and related problems, (3) economic organization and reparations, and (4) disarmament and demilitarization. The deputies further agreed on establishment of an information and consultation conference of the allied states, and on participation (of other allied belligerent states and ex-enemy states who subsequently participated with armed forces on side of allies) through presentation of their views to deputies or CFM orally or in writing as latter may consider appropriate.⁶²

The first point of disagreement was whether or not Albania should be consulted in preparation of treaty. Marshall and Bevin opposed.⁶³ Molotov and Bidault supported.⁶⁴ After all four had expressed their views, in which question of Iran and the American Republics was introduced, it was agreed that deputies would review the problem and report in light of new factors presented.⁶⁵

As to whether or not peace conference should be held, Marshall proposed that CFM, with China as a member, should invite all states at war with Germany to a peace conference to consider draft of treaty as soon as its preparation is sufficiently advanced.⁶⁶ After the conference, the four members of CFM should draft final text on basis of recommendations supported by $\frac{2}{3}$ vote of conference, and considering the recommendations supported by majority, and then submit final text for signature by all states at war with Germany. Further, Marshall proposed that responsible representatives of Germany be heard at conference, but that in order to avoid signing the treaty by any particular group of Germany, the German constitution should contain a clause clearly providing that all powers thereunder shall be exercised subject to and in accordance with the peace settlement that may be agreed upon by allies.⁶⁷

⁶² For the text of the Report by the Deputies for Germany to the Council, document CFM (47) (M) 60, March 24, see p. 397.

⁶³ For the text of the Secretary of State's statement on Albania, see *Germany 1947-1949*, p. 197, or Department of State *Bulletin*, April 6, 1947, pp. 608-609.

⁶⁴ For the text of Molotov's statement on Albania, see Molotov, *Speeches and Statements at Moscow*, pp. 46-47.

⁶⁵ See the United States Delegation Minutes of this discussion, *supra*.

⁶⁶ Regarding the desire of the Chinese Government to participate in the convocation of a conference to consider the German peace settlement, see the note from the Chinese Ambassador to the Secretary of State, March 24, 1947, p. 495.

⁶⁷ For the text of Secretary Marshall's statement summarized here, see *Germany 1947-1949*, p. 195, or Department of State *Bulletin*, April 6, 1947, p. 607.

Bidault was noncommittal about Marshall's first points, but enthusiastic about incorporating treaty clause in constitution.

Bevin expressed doubt about legality, or efficacy, of latter proposal and asked time to study the matter closely. Bevin visualizes a gradual process of evolving a peace treaty, a provisional government, and then a German Government, for the purpose of developing a German state. He did not see how the four powers could well develop a democratic German Government while all the allied nations were collectively laying down a peace settlement based on protection of their own individual interests. He did not want another Versailles to be repudiated, but rather a working out together of a peace settlement and a German Government, the latter to be signatory to and accept the former for the German people. We must avoid, Bevin continued, any possibility of the one to sabotage the other.

He did not want to hold up peace discussions pending organization of an acceptable German Government, Bevin said, but that if one was in existence when peace treaty was ready, the Germans should have an opportunity to express their views before signing.

Molotov asked for more time to study proposals of Marshall, Bidault and Bevin. He restated Soviet position that peace treaty must be signed by the German Government, and that such government must be given opportunity to express its views at the Peace Conference.

Department pass to Paris as 84, Rome as 11 and Vienna as 13.

Repeated London 105; Berlin 158.

[MARSHALL]

740.00119 Council/3-2647

*Memorandum of Conversation, by the Secretary of State*⁶⁸

SECRET

[Moscow, March 26, 1947.]

Mr. Bevin called at the Embassy to see me today and brought with him a transcript of an interview he had had with Generalissimo Stalin on March 24.⁶⁹ He went over the statements one by one, amplifying them with explanations of detailed remarks he had made which were not recorded complete in the brief summary he had furnished me.

Regarding the Polish Western boundary, he expressed the opinion that the Soviet position would be very firm against any change.

Regarding the Four Power Treaty, he stated that he purposely brought up that issue before mentioning the possible revision of the British-Soviet treaty. He did not comment at any length regarding

⁶⁸ The conversation took place on March 26, 1947, from 12:30 to 1:30 p. m. Secretary Marshall sent copies of this memorandum to President Truman and Acting Secretary Acheson.

⁶⁹ *Ante*, p. 278.

the Four Power Treaty because he felt that that fell more properly to my position, but he wished me to know that he had given it precedence in the discussion in order to avoid any implication that he was attaching more importance to the revision of the British-Soviet treaty.

Regarding the Ruhr, Mr. Bevin commented that Stalin's statements indicated that he had not been following very closely what had occurred in recent months regarding the Ruhr.

Mr. Bevin then turned to an explanation of the British position regarding reparations. He stated that while he himself was not entirely clear as to whether or not some form of reparations from production might not be necessary, he was perfectly clear that the British Government could not admit any procedure which would increase the cost to the British taxpayer. He went into considerable detail in explaining the British situation. He explained the situation regarding the American loan, whereby the increase of prices, particularly as to wheat, had confronted the British Government with a very serious dilemma.⁷⁰ He went further in explaining the situation with regard to rice from Siam, in relation to the Indian situation⁷¹ and other British governmental commitments. He stated that because of the bad weather, the worst in ten years, British exports had fallen 60 million pounds below the estimated totals. He stated that the British Labor Government was determined to stand by its agreements and for that reason was taking very firm position regarding any actions which increased the cost of government.

He thought the dominating issues before the present Conference were those of reparations and political organization.

Regarding the possible inclusion of the French in the British-American zonal unification, he felt that that would be highly desirable, providing it did not increase the cost to the British. In commenting on the possible complications that might result from such a union, in view of the Communist influence in France, he stated that "however much a Frenchman might be a Communist, he would always remain a Frenchman."

Regarding the statement which he and his government had made that the British military mission in Greece would be maintained for the "time being", it was made clear to him that this was an unfortunate statement with regard to political consideration of the United States for the appropriation of the necessary funds for Greece. He explained that this was in answer to a parliamentary question and

⁷⁰ For documentation regarding the concern of the United States over the exchange position of the United Kingdom, see volume III.

⁷¹ For documentation on United States relations with India, see volume III.

he was quite certain that what Mr. Attlee really meant was that the mission was not to be maintained in Greece permanently, but was to be removed when its services were no longer needed—that is, as soon as the Greek Army organization had been developed to the point of managing its own affairs. He agreed to take this up with the Government and see if another statement might not be made explanatory of this view.⁷²

G[EORGE] C. M[ARSHALL]

740.00119 Council/3-2247 : Telegram

The Acting Secretary of State to the Secretary of State at Moscow

SECRET

WASHINGTON, March 26, 1947—8 p.m.

684. Secdel 1380. Personal from Acheson. I have consulted both Senators Vandenberg and Connally (ref Delsec 1334⁷³) and both are in agreement that treaty with Austria should be completed and signed if possible in Moscow. In giving his agreement, Senator Vandenberg however expressed some concern lest US had made commitments to other powers in regard to their participation in the making of such treaty.

In so far as we are concerned the only commitment of record here relates to Mexico which was told that it could participate in the making of the Austrian treaty. We will however deal with this matter in a separate telegram⁷⁴ which we hope can go forward in twenty-four hours.

With regard to the special position of China, the Chinese Govt requested that there should be a conference on peace settlements for Germany and Austria convoked in the name of the full Council of Foreign Ministers. In our reply we stated that the US also favors the inclusion of China as a sponsoring power for the Conference to consider the peace settlements with Germany and Austria.⁷⁵ No further commitment in this respect was given. If it is decided there shall be no conference to consider the Austrian treaty it would seem that no additional measures need be envisaged as far as China is concerned, except to inform China of this decision.

ACHESON

⁷² For additional documentation on the program of American aid to Greece, see volume v.

⁷³ *Ante*, p. 275.

⁷⁴ Telegram 693, Secdel 1386, March 27, to Moscow, p. 496.

⁷⁵ See the note of February 5, 1947, from the Secretary of State to the Chinese Foreign Minister, p. 153.

740.00119 Council/3-2647 : Telegram

*The Secretary of State to the Acting Secretary of State*CONFIDENTIAL
URGENT

Moscow, March 26, 1947—midnight.

1030. Delsec 1353. For the President, Vandenberg, Connally and Acheson from Marshall. Fourteenth CFM meeting, March 26th, Marshall presiding, continued discussion of the procedure for preparing the German treaty. A lengthy exchange of views resulted in little progress and the entire report of the deputies on procedure⁷⁶ was referred back to the deputies with the exception of the question of the composition of the peace conference, which Molotov insisted the Council discuss Friday.⁷⁷

Molotov opposed but the United Kingdom, France and United States favored including China among the powers convening the German peace conference. Later, Bevin and Molotov rejected the United States proposal that a treaty clause be included in the German constitution⁷⁸ and both insisted that a German Government sign the peace treaty, but Bidault continued to support the United States proposal.⁷⁹

Recalling the war effort of the Dominions, Bevin sought to establish firmly their right to be heard on the German peace. Marshall said that Mexico and many Latin-American states had helped in the war and should be represented on the information and consultation conference. He cited the war contribution of Canada and asked the Council to recognize the wartime contribution of our friends and obtain the benefit of their cooperation in the peace.⁸⁰

The Council also:

(1) Agreed to invite representatives of the Yugoslav Government to come to Moscow to be available for consultation on the Austrian treaty.⁸¹

⁷⁶ The Deputies Report, document CFM(47) (M) 60, March 24, 1947, p. 397.

⁷⁷ March 28.

⁷⁸ The United States proposal under reference here is summarized in paragraph 3 of telegram 1013, Delsec 1345, March 25, from Moscow, p. 287.

⁷⁹ Regarding the question of whether the German Peace Treaty should be signed by a German Government, see Bevin's letter of April 11, 1947, to Marshall and Marshall's reply of April 14, pp. 450 and 460.

⁸⁰ For the text of Secretary Marshall's statement summarized here, see *Germany 1947-1949*, p. 196, or Department of State *Bulletin*, April 6, 1947, p. 608. In this connection, see also Bevin's letter of March 27 to Marshall and Marshall's reply of March 30, regarding the procedure for the preparation of a German peace settlement, pp. 407 and 425.

⁸¹ The request of the Yugoslav Government to be given an opportunity to send a Delegation to Moscow to expound its point of view on the question of the Austrian Peace Treaty was contained in a note to the Council of Foreign Ministers dated March 24, 1947, circulated to the Council as document CFM(47) (M) 58, of the same date, not printed.

(2) Deferred until tomorrow a Yugoslav request to be heard on the financial situation of Trieste.⁸²

(3) Agreed to discuss tomorrow the United States proposal⁸³ to speed up consideration of the question of German assets in Austria which is blocking progress by the deputies on the Austrian treaty. Molotov at first opposed this discussion but later agreed after Marshall had stated that he regretted that Molotov had rejected⁸⁴ the United States proposal.

(4) Discussed the delay of the special committee in reporting to CFM on the proposals which grew out of the Council's discussion of the Allied Control Council's report. Bevin said the committee was discussing questions of substance when it was only supposed to compare and coordinate the various proposals submitted here. Marshall said that if this situation existed, he would propose that the committee be given a new directive since he understood the committee was not to attempt to resolve disagreements. Marshall added that the Council was ensnaring itself "in a series of complications which in themselves are not of consequence but which make the prospect of progress on these negotiations unfortunately remote". Molotov agreed that the special committee was not to discuss new problems but said discussions of substance were necessary in order that points of agreement and disagreement could be listed. The special committee's report, if completed, will be discussed tomorrow.

Repeated London 106; Berlin 168.

Department pass to Vienna as 14, Rome as 12 and Paris as 85.

[MARSHALL]

740.00119 Council/3-2747: Telegram

The Secretary of State to the Acting Secretary of State

CONFIDENTIAL

Moscow, March 27, 1947— 11 p.m.

URGENT

1056. Delsec 1358. For the President, Vandenberg, Connally and Acheson from Marshall. 15th CFM meeting, March 27, Bidault presiding, opened with a discussion of whether the Council should invite representatives of the Yugoslav Government to Moscow to present views on the report of the Quadripartite Commission on the financial situation of the free territory of Trieste.⁸⁵

⁸² The request of the Yugoslav Government under reference here was contained in a note of March 24, 1947, to the Council of Foreign Ministers, circulated to the Council as document CFM (47) (M) 59, March 24, not printed.

⁸³ The American proposal referred to here was set forth in document CFM (47) (M) 76, March 20, not printed.

⁸⁴ The "rejection" of the American proposals was contained in the memorandum of the Soviet Delegation circulated to the Council as document CFM (47) (M) 78, March 24, 1947, not printed.

⁸⁵ Under reference here is the Report of the Trieste Commission of Inquiry, document CFM (47) (M) 2, March 10, 1947, not printed; see footnote 28, p. 163. The Yugoslav Government's request for a Council hearing on the Report was circulated to the Council as document CFM (47) (M) 59, March 24, 1947, not printed.

Molotov and Bidault wanted to invite the Yugoslavs, but Bevin saw no reason for the Council to hear the Yugoslavs, since their views had already been heard by the Commission. Marshall agreed and added that his most serious concern is that the Council is making very little progress on questions which are of interest to the entire world. He pointed out that if the Council spends its time on minor problems that are not of first importance, the prospect of progress on the problems which the Council met to discuss would be diminished. He again urged the Council to pass on to the important problems.⁸⁶

The Ministers agreed to invite the Yugoslav and Italian Governments to submit to the Council in writing, any observations they wished to make on the Trieste Commission's report.

The Council then took up the question of German assets in Austria. Marshall stated that US disagreed with the Soviet position that the title to these assets has passed to the Soviets, but that in order to open the way for further discussion by the Deputies for Austria of the entire assets question, he repeated his suggestion that the disagreement over title be by-passed. (1) He asked that agreement be reached on a definition of just what assets in Eastern Austria the Soviet Union thinks it should have title to as a result of the Potsdam decision. He said that none of the Allies intended at Potsdam to transfer title to German assets which were taken from the victims of Nazi aggression and which justice and equity demand be returned to them. (2) He suggested that the Deputies be instructed to provide in the Austrian Treaty for arbitration of disputes over German assets in Austria. (3) He said Austrian law should apply to all properties in Austria which are transferred to the USSR.⁸⁷

Bevin agreed with Marshall's three points, but asked the Council to instruct the Deputies to discuss the German assets question on the basis of a draft UK directive.⁸⁸ He said he had no desire to repudiate the Potsdam Decisions, but did think it necessary to decide what was meant by those decisions. He added that when Stalin said at Potsdam that reparations would not be taken from Austria, he interpreted this as a generous gesture toward a country which had to be reestablished. If the present Soviet position is accepted, he continued, this action would be undone.

⁸⁶ For the text of Secretary Marshall's statement summarized here, see Department of State *Bulletin*, April 6, 1947, p. 609.

⁸⁷ For the text of Secretary Marshall's statement summarized here, see Department of State *Bulletin*, April 13, 1947, pp. 653-654. Secretary Marshall's proposals were previously circulated to the Council in document CFM (47) (M) 76, March 20, 1947, not printed.

⁸⁸ The Draft Instructions to the Deputies for Austria proposed by the United Kingdom Delegation were circulated to the Council as document CFM (47) (M) 79, March 27, 1947, not printed.

Molotov disagreed with all three points. He said no new definition of German assets in Austria is necessary and objected to the establishment of any arbitration machinery. He denied the USSR is claiming extra-territorial rights for properties taken over in Austria.⁸⁹

Bidault agreed with Marshall's points and proposed that the Deputies for Austria be instructed: (1) to prepare a draft article recognizing in the treaty the disposal of German assets in Austria under the conditions provided for by the Potsdam Agreement; (2) to prepare a definition of German assets in Austria, excluding such property as was seized by the Germans by force or duress or was in any way unduly taken either from the United Nations or from the Austrians for political, racial or religious reasons; and (3) to prepare an arbitration clause on the basis of Article 50 of the Austrian Draft Treaty.⁹⁰

Marshall accepted this proposal, Molotov suggested major changes in it, and Bevin asked the Council to adjourn and continue the discussion tomorrow. The Council agreed it will also discuss tomorrow the report of the special committee which is coordinating all proposals submitted during the Council's discussion of the Allied Control Council's report.

Repeated to London 110, Berlin 176.

Dept please pass to Vienna as 17, to Rome as 15, and to Paris as 87.

[MARSHALL]

740.00119 Council/3-2847: Telegram

The Secretary of State to the Acting Secretary of State

CONFIDENTIAL
URGENT

Moscow, March 28, 1947—11 p. m.

1074. Delsec 1363. For the President, Vandenberg, Connally and Acheson from Marshall. Sixteenth CFM, 28 March, Bevin presiding, resumed discussion of German assets in Austria, with Marshall indicating his points of agreement to Bidault's proposals (see 15th CFM)⁹¹. Marshall agreed with proposal one and two. As regards Bidault's third proposal, Marshall was willing to omit further discussion of this problem by the deputies if CFM would agree that

⁸⁹ Foreign Minister Molotov's statement summarized here is presented in detail in Molotov, *Speeches and Statements at Moscow*, pp. 47-49. The views of the Soviet Delegation on the German assets issue were set forth in document CFM (47) (M) 78, March 24, 1947, not printed.

⁹⁰ The proposals of the French Delegation described here were circulated to the Council as document CFM (47) (M) 75, March 27, 1947, not printed.

⁹¹ For the substance of Bidault's proposals, see telegram 1056, Delsec 1358, March 27, from Moscow, *supra*.

article 57 provided a means of arbitration for settlement of disputes. He then proposed that CFM reach agreement in principle on this subject and direct the deputies to incorporate the various views into suitable proposal.

Molotov rejected Bidault's second proposal because its limited application would deprive Austria of so little in the way of transfers. He also objected to Austria's having a voice in the determination of German assets. He pressed for substitution of a proposal which would define German assets in Austria as excluding those taken by direct, forcible action without compensation.

Bevin stated that he was working on the basis that everyone wanted to be fair and to avoid allied support to the fraudulent methods Hitler employed in acquisition of property in Austria. He, as well as Marshall, rejected Molotov's proposal. There followed considerable discussion as to the next move with Molotov attempting to stop further consideration of the problem until the Austrian treaty was considered as a whole. It was finally agreed that the matter would be referred back to the deputies for their further consideration.

The Coordinating Committee (see fourteenth meeting)⁹² then submitted its report.⁹³ Marshall said there were too many points of disagreement to resolve in the Council and suggested that the Council limit its immediate discussion to the following three items: (A) treatment of Germany as an economic unit; (B) review of levels of industry and resumption of reparations; (C) form and scope of provisional government. The other matters relating to the report would be referred at once to a special committee to make recommendations to the Council for the adoption of such directives as the Committee members, acting under instructions from their respective ministers, can agree upon. After a discussion, in which Bevin and Bidault declined to commit themselves and Molotov suggested adding demilitarization, it was agreed that the Marshall proposal would be considered tomorrow.

Molotov then resumed discussion of participation of allied nations in the preparation German peace treaty and the peace conference. He held out strongly for limiting the participation to the 18 nations already listed plus, of course, Albania.⁹⁴ Marshall rejected this position and reiterated the previous United States position. Molotov went

⁹² For the report on the Council's 14th Meeting, March 26, see telegram 1030, Delsec 1353, March 26, from Moscow, p. 292.

⁹³ The text of the Report of the Coordinating Committee was circulated to the Council in documents CFM (47) (M) 64, March 26, and CFM (47) (M) 74, March 28, pp. 401 and 409.

⁹⁴ For a fuller account of Molotov's statement on the composition of a German peace conference, see Molotov, *Speeches and Statements at Moscow*, pp. 49-50.

to study - report in summary
 level of industry
 form & scope of prov govt

through the second chorus of his act and it was finally unanimously decided to refer the problem back to the deputies.

Department please pass to Vienna as 18, to Rome as 16, and to Paris as 90.

Repeated London 111, Berlin 183.

[MARSHALL]

740.00119 Council/3-3047: Telegram

The Secretary of State to the Acting Secretary of State

CONFIDENTIAL

Moscow, March 30, 1947—3 a. m.

URGENT

1093. Delsec 1367. For the President, Vandenberg, Connally and Acheson from Marshall. Seventeenth meeting CFM, March 29, Molotov presiding, discussed Marshall proposal to limit Council discussion of questions which arose during consideration of the ACC report to the CFM (see CFM 16⁹⁵). Molotov desired to include demilitarization as an additional separate subject, but Marshall pointed out that there was no basic disagreement on this question, and it was agreed that industrial demilitarization should be considered as a part of economic unity and level of industry. Molotov reserved the right to bring up later the entire subject of demilitarization. The Council then agreed that on Monday it would discuss, as the first of two major questions, the treatment of Germany as an economic unit, including level of industry, industrial demilitarization and resumption of reparations. The second question will be the form and scope of the provisional govt for Germany. It was agreed that the special committee⁹⁶ would complete its report on the remaining portions of the ACC document by April third. The Council then adjourned.

Department please pass to Vienna as 20, to Rome as 17, and Paris as 93.

Repeated to London 113, Berlin 189.

[MARSHALL]

⁹⁵ Secretary Marshall's proposal under reference here is described in the penultimate paragraph of the report on the 16th Meeting of the Council, telegram 1074, Delsec 1363, March 28, from Moscow, *supra*.

⁹⁶ The Special Committee referred to here was comprised as follows: United States—Riddleberger, United Kingdom—Gen. Robertson, Soviet Union—Marshal Sokolovski, and France—Alphand. According to its original instructions, the Special Committee was to complete by April 2 a study of all questions arising out of the report of the Allied Control Council and not included among the "basic questions" which the Council of Foreign Ministers itself would take up. The Council subsequently assigned additional tasks to the Committee. The Special Committee held nine meetings between March 31 and April 15 and submitted to the Council of Foreign Ministers the following Reports: CFM (47) (M) 93, April 2, p. 427, CFM (47) (M) 122, April 11, p. 446, and CFM (47) (M) 132, April 15, not printed, but see footnote 7, p. 446.

740.00119 Council/3-3147 : Telegram

*The Secretary of State to the Acting Secretary of State*SECRET
URGENT

Moscow, March 31, 1947—10 p.m.

1118. Delsec 1375. To Acheson Personal Eyes Only for the President from Marshall. Please deliver immediately the following to the President:

Dear Mr. President:

We are now locked in the final discussions regarding economic and political unity and regarding political organization of Germany. The vital points are the level of industry, with related demands for reparations from current production (having in mind that to raise the level certain plants now allocated to Russia must be retained in Germany; otherwise no increase in the level of industry is possible); coal for France which also directly affects the problem of raising the level; and the demands for reparation from current production. Later, on the agenda are: the Four-Power Pact; the Ruhr problem; and the location of boundaries which, on the Eastern Front, have an important bearing on the density of population and the supply of food from a rich agricultural district. These matters are related to the problem of unity but cannot yet be discussed in detail.

I will now quote instructions which I am about to give the American Delegation unless I hear from you to the contrary. I have not gone into detail; that must depend on developments and the immediate view of the best tactics to be employed. "The viewpoints expressed below give the United States' position on certain subjects now being considered by the Council of Foreign Ministers. These viewpoints are for your information and guidance in preparing papers or in discussions you may have with members of the other delegations in connection with the problems involved in the current Inter-Allied Administration of Germany.

Over-all considerations: The principal desires of the United States as regards the current Inter-Allied Administration of Germany are to obtain (A) a politically and economically unified Germany under a democratic government with effective safeguards of human rights and fundamental freedoms; (B) a sufficient increase in Germany's level of industry to assist in the economic recovery of Europe; (C) guarantee of security from German aggression by a treaty among the four occupying powers; (D) an adjustment in connection with the provisional eastern boundaries to provide additional food for Germany and to reduce her present population density.

Level of industry and reparations: acceptance of the four-power treaty principle will insure our security to the extent that an increase in the German level of industry for peace-time purposes can be per-

mitted. Such increase would reduce deliveries of capital equipment as reparations but might permit use of current production as reparations as compensation for withdrawal of plants now allocated for reparations, taking into account that Germany should share with the Allies any resultant increase in its standard of living above the European average. The extent to which reparations could be paid for this purpose without increasing the burden on the occupying powers would depend upon Germany's ability to develop an export surplus. In any event such a reparations plan should not become effective until economic unity and political unity are established in fact. Any reduction in cost of supporting German food ration through increased availability of surplus agricultural area under Polish administration would facilitate the development of an export surplus and the payment of the above-mentioned and limited reparations from current production. The United States would not agree here to a definite plan involving reparations from current production but only to studies of the relevant factors."

[MARSHALL]

740.00119 Council/3-3147 : Telegram

The Secretary of State to the Acting Secretary of State

CONFIDENTIAL

Moscow, March 31, 1947—midnight.

URGENT

1122. Delsec 1376. For the President, Vandenberg, Connally and Acheson from Marshall. Eighteenth CFM meeting, March 31, Marshall presiding, initiated the discussion on the treatment of Germany as an economic unit, including the level of industry, industrial demilitarization and resumption of reparations. Marshall stated that US stands for (1) German economic unity, (2) a common plan to balance exports and imports at a livable standard in Germany, (3) an increase in the level of industry plan to bring German productive plant more into line with the requirements of Europe and, with this, (4) the quick completion of reparations. He added that although we are here to resolve and not to accentuate our difference, we should not seek agreement merely for the sake of agreement. He concluded by saying that the US recognizes that its responsibilities in Europe will continue and is more concerned in building solidly than in building fast.⁹⁷

Bidault again insisted that the question of the export of German coal and the problem of the Saar must be solved at the same time as other problems connected with German economic unity. He said the

⁹⁷ For the full text of Secretary Marshall's statement summarized here, which was circulated to the Council as document CFM(47)(M)88, March 31, 1947, see *Germany 1947-1949*, pp. 445-447, or Department of State *Bulletin*, April 13, 1947, pp. 649-650.

question of reparations from current production must be considered from the point of view (1) its effect on German coal available for export, (2) on war potential, and (3) on the German balance of payments. He said there was no insurmountable difficulty in reaching a practical solution of the questions under discussion.⁹⁸

Bevin began his statement by urging the council to look to the future and agree on the allied objectives to be followed in Germany from now on. He warned that any decision taken now by the council must be open to revision in order to take into account any later council decision on German frontiers. He listed the four cardinal requirements to achieve full economic unity as (1) freedom of movement throughout Germany for persons, trade and ideas; (2) proceeds of German exports from current production and stocks must first go to pay the cost of German imports; (3) equitable sharing by the four powers of occupation costs—past, present and future; and, (4) establishment of central German administrations with German executive powers. Replying to Molotov's earlier statement of Soviet demands, Bevin said: (1) Reparations from current production are not possible now or in the near future because Germany can not balance her import-export account and bear this additional burden and because the cost to the UK of occupying its zone would be increased. (2) No special four-power agency for the Ruhr is acceptable as long as the zonal system remains but when Germany is unified economically, the Ruhr would be subject to controls applying equally to all of Germany; (3) the agreement fusing the US and UK zones was the result of failure to implement the Potsdam decision on economic unity and that the agreement provided that when economic unity is achieved, the two zones will merge with the rest of Germany.

Bevin said he supported the French in their claim for the Saar subject to agreement on the area to be included and on a readjustment of reparations as a consequence of the transfer. He said he did not want to see a settlement of the big German problems blocked by the French demand for coal and expressed hope that US and UK plans to help France get more coal would satisfy Bidault and permit him to withdraw his demand.

Bevin stated that the level of German peacetime industry must be raised in order to improve the exceedingly low standard of living in Germany. He also urged the council to set a time limit during which removals for reparations must be completed and suggested a simpler plan for evaluating and allocating plants to be removed. He urged that the questions of reparations and the level of industry be settled here, adding that it was useless to ask the Germans to cooperate in reestab-

⁹⁸ For the text of Foreign Minister Bidault's statement summarized here, see *Déclarations de Bidault*, pp. 25-27.

lishing a democratic state unless they knew how much reparations they are to pay and how and when collected. He concluded by tabling a detailed proposal on future allied policies toward Germany.⁹⁹

Molotov attempted to rebut parts of his three colleagues statements and added little to what he said previously. He did say that on the majority of questions connected with the problem being discussed he thought sufficient agreement could be reached to facilitate the allies task in Germany. He demanded a concrete settlement of reparations and said the USSR wants to increase both German imports and exports. He agreed to help in improving German rations but suggested that the food supply be increased by carrying out land reforms as had been done in the Soviet zone. He insisted that the areas of Germany now administered by Poland can not be included in any discussion of German economic unity. He joined Bevin in asking that quick action be taken to raise the German level of industry but added that the destruction of war potential must be hastened. He denied that the USSR wanted to separate eastern Germany from the rest.¹

Upon adjourning, the Ministers accepted Marshall's suggestion that the council meet in restricted session tomorrow to continue its discussion of economic unity.

London disregard following note:

For Acheson: Make certain that President sees my detailed statement (Delsec 1374, March 31²) made at conference today.

Department please repeat Vienna 21, Rome 18, Paris as 95.

Repeated London 116 and Berlin 196.

[MARSHALL]

740.00119 Council/4-147: Telegram

*President Truman to the Secretary of State at Moscow*³

SECRET

WASHINGTON, April 1, 1947—9 p.m.

URGENT

763. Secdel 1409. For the Secretary from the President (Eyes only).

I have given careful consideration to Delsec 1375,⁴ which I have read

⁹⁹ For the text of the British proposal referred to here, entitled "Supplementary Principles to Govern the Treatment of Germany" and circulated to the Council as document CFM (47) (M) 89, March 31, 1947, see *Documents on International Affairs 1947-1948*, pp. 453-464.

¹ For the text of Foreign Minister Molotov's statement summarized here, which was circulated to the Council as document CFM (47) (M) 90, March 31, 1947, see Molotov, *Problems of Foreign Policy*, pp. 400-409.

² The telegram under reference is not printed.

³ This message was prepared in the Department of State, was signed by the President, and was transmitted to Moscow by the Acting Secretary of State through the Department's telegraphic facilities.

⁴ *Ante*, p. 298.

in the light of the excellent exposition embodied in Delsec 1374.⁵ With respect to your proposed instructions to the US Delegation, I think it may be helpful for me to stress several points which loom up large at this distance and which I am certain you have already considered.

As your draft instructions make clear, you have in contemplation the desirability of a sufficient increase in the level of industry to assist in economic recovery and to provide sufficient exports to bring about a balance of payments. In view of the importance of accomplishing this objective, I assume that it is not the intention of your instructions to indicate that acceptance of the four-power treaty principle is a condition precedent to appropriate upward revision of the level of industry agreement although, of course, the weight to be accorded to the economic disarmament factors in a new level of industry would depend to some extent upon achieving security through the device of four-power treaty.

My primary concern, which I have no doubt you share, relates to the possible consequences of our agreeing to study factors relevant to a plan involving reparations from current production. If, as appears to be the case, your appraisal of the situation has led you to the conclusion that the time has come for us to express our willingness to explore the practical limitations and form of a current production reparations program, I think you will agree that it is of decisive importance that several basic conditions be clearly expressed and understood:

(1) No reparations from current production will be permitted which would diminish the availability of exports, proceeds from which must be utilized in the first instance to pay for essential imports, including the reimbursement of the US and UK for advances already made to Germany.

(2) No reparations from current production will be permitted which will divert coal or raw materials from essential uses in other countries or needed for the basic economy of Germany.

(3) The USSR has already obtained a large amount of reparations from its zone of Germany and a small amount by plant removals from the west. Most other United Nations have obtained relatively little in reparations from Germany. It seems to me that it would be unfair for the USSR to receive reparations out of current production from Germany until other countries have obtained, prior to delivery to the Soviet Union, a quantity of reparations bearing some reasonably proportionate relationship to amounts already received by the USSR. This would not necessarily exclude the possibility that, after a balance of payments was achieved or in sight, consideration might be given to the availability of reparations from current production to the USSR as well as to other claimants on a proportionate basis

⁵ The telegram under reference here, dated March 31, is not printed. It transmitted the text of Secretary Marshall's statement to the Council of Foreign Ministers on March 31 on the need for German economic unity. For the summary of that statement, see telegram 1122, Delsec 1376, March 31, from Moscow, p. 299.

to be determined later. I think that it should be made clear in this connection that we would want to fix a limit as to amount and time in which current production might be available for this purpose.

It seems to me that these conditions are fair and equitable. It may be, however, that in the light of your discussions at Moscow you feel that there are countervailing considerations which we should take into account. In that event, I should welcome your comments.

HARRY TRUMAN

740.00119 Council/4-147 : Telegram

The Secretary of State to the Acting Secretary of State

SECRET

Moscow, April 1, 1947—11 p.m.

US URGENT

1143. Delsec 1379. For the President, Vandenberg, Connally and Acheson from Marshall. First restricted CFM meeting, 1 April.

At the restricted meeting this afternoon, I stated that neither Potsdam nor the subsequently agreed level of industry envisaged reparations from current production and if Mr. Molotov was insisting upon an increase over Potsdam reparations by this means, I could not consider it. However, I continued, any substantial increase in the level of German industry would inevitably reduce the plants available for reparations removals under Potsdam. If all Mr. Molotov had in mind was compensation for such reductions, the US delegation would be willing without commitment to have experts study the matter, but it should be realized that the British delegation had stated it could not consider any reparations from current production at this time and was urging only the implementation of Potsdam.⁶ Molotov, while agreeing that the consideration of level of industry and reparations was basic, would not agree that reparations from current production constituted an alteration of Potsdam, nor did he agree that the necessary increase in level of production would mean a reduction in the number of plants earmarked for reparations removals. He made it plain that in his opinion reparations from current production in no way interfered with the execution of the removal program and in fact were envisaged at Potsdam. The long and fruitless discussion which followed reduced itself primarily to a debate between Bevin and Molotov as to whether or not Potsdam envisaged reparations from current production.

⁶ The proposal which Secretary Marshall presented orally at this meeting was subsequently circulated to the Council as document CFM(47)(M)97, April 3, 1947, not printed; for the text of the American proposal, see *Germany 1947-1949*, p. 410, or Department of State *Bulletin*, April 13, 1947, pp. 652-653. For Secretary Marshall's explanation to President Truman of the proposal summarized here, see telegram 1167, Delsec 1385, April 2, from Moscow, p. 306.

The meeting led to no conclusion and the issues remain those as set forth in previous meetings. I made it plain that in considering compensation for possible reduction of removable reparations earmarked for allied countries, as a result of any agreed increase in level of production, their value in Germany must be the criterion rather than their value as dismantled reparations.

The basic obstacle confronting us on this question is the Soviet insistence that reparations from current production should be agreed upon, at least in principle, before establishing conditions necessary for obtaining such reparations.

In view of the absence of progress at this closed session, there was no objection to my suggestion that we should tomorrow resume the regular sessions of the council.

[MARSHALL]

740.00119 Council/4-247: Telegram

The Secretary of State to the Acting Secretary of State

CONFIDENTIAL

Moscow, April 2, 1947—11 p. m.

US URGENT

→ 1163. Delsec 1382. For the President, Vandenberg, Connally and Acheson from Marshall. Nineteenth regular session CFM, 2 April, Bevin presiding, initially heard Molotov propose agreement in principle that German provisional political organization be established as democratic government on basis of democratic elections. Bevin pointed out that any agreement reached on political unity must presuppose the existence of economic unity. The CFM agreed unanimously, Bidault stated that provisional constitution should be prepared by representatives of the *Laender* State Governments, approved by the Allied Control Council, and then ratified by German people.⁷ Marshall proposed that the ACC be instructed to establish a plan for a provisional German government representative of the *Laender* which would direct and coordinate central departments, initiate framing of the permanent constitution, and recommend pattern of permanent territorial organization. In addition he asked that ACC insure basic human rights and freedoms and guarantee of autonomous power of both state and central governments and finally to define relationships between ACC and provisional government and between zone commanders and provisional government.⁸

⁷ For the text of Foreign Minister Bidault's statement, which was circulated to the Council as document CFM(47)(M)96, April 2, 1947, see *Déclarations de Bidault*, pp. 31-33.

⁸ For the text of Secretary Marshall's statement on the proposed directive to the Allied Control Council for Germany summarized here, see *Germany 1947-1949*, p. 190, or Department of State *Bulletin*, April 13, 1947, p. 651.

Molotov objected to the US plan for what he called a "federalized Germany" and submitted two basic points for consideration as follows: "1. Germany's political structure must have a democratic character and the organs of power must be established on the basis of democratic elections, similar to what was provided for by the Constitution of Weimar, but the rights and duties of the president being limited to those exercised by a constitutional head of state without independent executive authority. 2. As a first step towards forming a provisional German government, central German administrative departments dealing with finance, industry, transport, communications and foreign trade shall be instituted in accordance with the Potsdam decision."

He supported strongly a constitution based on the Weimar plan as already approved by German people, but with presidential powers greatly reduced.⁹

At this point Bevin proposed that the stages of procedure be considered rather than basic principles and suggested the following:

"A. Central administrations shall be established to discharge the immediate tasks most necessary to ensure the economic unity of Germany.

B. A German representative body shall be nominated at an early date to advise the Control Council on the general aspects of the work of the central administrations and on the number and size of the *Laender*, and to work out, within the framework of principles agreed by the Control Council on the basis of paragraphs one and two (not quoted in this message), the details of a provisional constitution.

C. The provisional constitution and any recommendations of this advisory body shall be submitted to the Control Council for its approval and in accordance with the provisional constitution as approved by the Control Council elections shall be held and a provisional government formed to operate the provisional constitution.

D. When due trial has been made of the provisional constitution it will be amended after taking into account the recommendations of the provisional government and ratified by the German people and approved by the Control Council. At this stage a new government will be duly elected."

Marshall accepted British proposal subject to reservation that the US was not yet convinced that a provisional constitution was necessary or desirable. He felt that a charter to the German people should be issued by ACC so that the Germans could devote themselves to the adoption of a permanent constitution and the provisional government could be gotten under way with a minimum of delay.¹⁰

⁹ The statements made by Foreign Minister Molotov at various points of this meeting of the Council are quoted and paraphrased, in the form of a single continuous statement, in Molotov, *Problems of Foreign Policy*, pp. 410-417.

¹⁰ For the text of Secretary Marshall's statements commenting upon the British and Soviet proposals made at this meeting of the Council, see *Germany 1947-1949*, pp. 190-192, or Department of State *Bulletin*, April 13, 1947, pp. 651-652.

Molotov agreed in principle with Bevin's proposal on the four stages, but disagreed with Marshall's proposal that the head of *Laender* States form the provisional government. (At this point a series of explosions were heard and Molotov interrupted the interpreter to explain that his people were probably blowing up the ice in the river. Bevin quickly rejoined with, "I thought it was the Economic Unity Committee upstairs", to which Molotov replied, "They haven't reached that stage yet".)

Molotov held out strongly for inclusion in the German Advisory Council of representatives of democratic parties, trade unions and other anti-Nazi organizations. Both Bevin and Marshall argued against this proposal, but were willing to have the German advisory body consult such organizations. Bidault remained non-committal.

After considerable discussions centering around representation of the democratic parties and trade unions on the German advisory body, it was agreed to refer the four positions to the Coordination Committee in the light of comments made at today's meeting to draft, insofar as possible, an agreed set of plans and procedures for German constitution and organization of the German government.

Repeated to London as 121, Berlin as 206. (Dept please pass to Vienna as 22, to Rome as 19 and to Paris as 98.)

[MARSHALL]

740.00119 Council/4-247 : Telegram

The Secretary of State to the Acting Secretary of State

SECRET

Moscow, April 2, 1947—midnight.

1167. Delsec 1385. To Acheson Personal Eyes Only for the President from Marshall. Your message ¹¹ reached me after I had made proposal informally in an executive meeting of CFM ¹² called at my request and I had agreed, on request, to submit it in writing. I made clear that my proposal for study for limited purpose stated was without commitment.

I am fearful that terms, which you suggest be made clear in advance of study, are somewhat too restrictive and may not afford necessary elbow room for negotiation.

Proposed study is to consider only adequate compensation for withdrawal of plants from capital removals sanctioned by Potsdam. It is not practical for us to agree to necessity for substantially higher level of industry and at the same time to suggest conditions which may

¹¹ *Ante*, p. 301.

¹² For the report on the informal Council meeting under reference, see telegram 1143, Delsec 1379, April 1, from Moscow, p. 303.

make the Allies, who are to be deprived of capital removals contemplated by Potsdam, feel that offer of current production to them is wholly illusory. The Allies who have not yet received capital removals would receive some capital removals before they or the Soviets can receive any current production.

In accordance with my agreement I am submitting the following proposal which is intended to guard the substance of the points you have in mind:

[Here follows the text of Secretary Marshall's proposal regarding the level of German industry and reparations from current production, circulated to the Council of Foreign Ministers as document CFM (47) (M) 97, April 3; for the full text, see *Germany 1947-1949*, page 410, or Department of State *Bulletin*, April 13, 1947, pages 652-653.]

[MARSHALL]

740.00119 Council/4-347: Telegram

The Secretary of State to the Acting Secretary of State

CONFIDENTIAL

Moscow, April 3, 1947—Midnight.

US URGENT

1188. Delsec 1390. For the President, Vandenberg, Connally and Acheson from Marshall. Twentieth CFM regular meeting, Molotov presiding, received and discussed the report of the Special Committee appointed to work out agreements on the questions of denazification, democratization, displaced persons and territorial reorganization.¹³ The Ministers did not accept Marshall's proposal that the Council confirm the agreements reached by the Committee and refer the disagreements in the report to the Allied Control Council for further study. Several hours of discussion followed during which certain parts of the report were accepted, others were referred back to the Committee, and action on others was suspended until later.

The Council accepted the section of the report on denazification which directs the Control Council for Germany to hasten the process of denazification, to complete the removal of former active Nazis and militarists from public office and from positions of responsibility in important private undertakings, to ensure that judges and public prosecutors are politically acceptable, to hasten the trial of war criminals and to seek uniform treatment in all zones of former Nazis and militarists corresponding to their degree of responsibility.

In the section on democratization, the Council agreed on only one point—that of instructing ACC to ensure the carrying out and com-

¹³ For the text of the Report of the Special Committee to the Council of Foreign Ministers, document CFM (47) (M) 93, April 2, 1947, see p. 427.

pletion of land reform throughout Germany in 1947. The section on elections was referred back to the special committee after Molotov insisted that German elections be held under the system of proportional representation and Bidault reaffirmed his opposition to the functioning of political parties and trade unions on an all-German basis.¹⁴ Although the Committee had agreed on establishing freedom for the circulation throughout Germany of information and on the inclusion in the future German constitution of a guarantee of basic human rights, Molotov insisted that these clauses be returned to the Committee for redrafting.

Discussion of the section on population transfers prompted Bevin to urge again the fixing of a date for the return to Germany of prisoners of war. Marshall supported Bevin and urged that the date for return be not far distant. Molotov refused to discuss the question and when pressed by Bevin agreed to state later when he would be ready to speak on this subject. At Marshall's suggestion the clauses on population transfers were set aside for further consideration at a later date.

During the discussion on the election system for Germany Molotov turned to Bevin and said that to refer to Greece as a democratic state when it is a dictatorship, is a difficult position to maintain. Bevin replied that the Greek Parliament was elected under a proportional representation system. Molotov answered that Greece was an example of what could happen when the proportional representation system was manipulated by skillful hands. He said he preferred the operation of the system in France to that in Greece.

The Council also discussed briefly and referred to the Committee for further study two proposals on the demilitarization of Germany referring to plants. During the exchange of views, Marshall and Bevin stated that demilitarization of plants should be completed as soon as possible, but that the fixing of exact dates when this work must be finished should be decided on when the necessary data are available. This discussion did not refer to purely war material making plants.

The Council agreed to meet two hours later than usual tomorrow in the hope that the Coordination Committee's report on plans and procedures for the German constitution and organization of the German Government will be ready for the Ministers to discuss.

Department please pass to Vienna as 23, to Rome as 21, and to Paris as 104.

Repeated London 1261, Berlin 215.

[MARSHALL]

¹⁴ For the text of Bidault's statement on German demilitarization and democratization, see *Déclarations de Bidault*, pp. 9-10.

740.00119 Council/4-747

Memorandum of Conversation, by the Secretary of State

SECRET

[Moscow,] April 5, 1947.

Mr. Bevin called at my quarters shortly before 1:00 o'clock today and left at 2:30, having informal lunch with me. Mr. Cohen was present during most of the conversation.

Mr. Bevin first brought up his concern about the matter of the prompt determination of the level of industry in Germany. He felt that if this issue was referred back to the Allied Control Council by the Council of Foreign Ministers in the present state of misunderstanding, a long period of months would elapse before anything was done, meanwhile the situation in Germany was urgent for correction.

Mr. Bevin felt that the British proposal now would be for the prompt study of the matter by the experts with a directive which named possibly ten million tons of steel per annum as a determining basis on which to correlate all other matters, of course with the stipulation that additional costs for the British taxpayer were not permitted. He recognized that this procedure involved a redetermination of the reparation plant transfers to the Allies to whom they had already been allocated and that some compensation would be necessary. He felt, however, that this could be done without a departure from the Potsdam Agreement, but rather as a practical application of the terms of the agreement to the existing situation.

Mr. Bevin expressed concern over the delays and disagreements which would probably result from an effort to evaluate the plants which remained in Germany and he wondered if we could not reach one grand total as a best way of avoiding such complications. He remarked that the Board of Trade advised him that the difference in value between a plant removed and the plant remaining in place was between 70 and 80 percent, that representing the loss if the plant were transferred. He recognized that the whole matter of plant transferances had proved far less profitable to the Allies, particularly Russia, than had been anticipated at Potsdam; that the Soviets, for example, found themselves involved in the necessity of making large expenditures for plant buildings, sidings, sewage, etc., for which they could not find the money, and that therefore the transfer of the plant machinery merely involved them in the cost of transportation with no probable advantage for a long period to come, during which there would be a continued deterioration of the machinery. (The Embassy reports that the machinery of the transferred plants is now lying out in the open on railroad sidings throughout Russia.)

Mr. Bevin hoped that we—the British and Americans—could get together on the basis of approach to this matter to hasten a general agreement which would permit an immediate study of the question by experts, which in turn would permit an early solution.

I explained to Mr. Bevin the American reluctance to involve themselves in a fixed tonnage of steel as a basis of departure, although they recognized the convenience of this procedure which had been more or less the basis for the initial calculation. I also explained to Mr. Bevin the delicacy of conducting a discussion about reparations in recompense for the non-transference of plants previously allocated and our desire to avoid not only additional expense to the American taxpayer, but also to avoid a basis of payment which would be a continued source of altercation and therefore serious difficulties, particularly between the Soviet Union and Germany. I agreed to his suggestion that the American and British representatives get together to see if they could work out a proposal which Mr. Bevin and I could put forward at the Conference Table.

Mr. Bevin next discussed in general the progress of the conference and his reluctance to enter into discussions which appeared to differ from my point of view, at the conference table. We discussed at length the French position on various matters, particularly that of the level of industry.

Mr. Bevin brought up the problem of the Middle East pipeline and explained the reasoning of the British Government, particularly the British Chiefs of Staff, for a route for the pipeline to the sea at Gaza, which would involve six million pounds more expenditure than the two previous proposals. This additional expenditure was reasonable by keeping out of regions which were very liable to be sources of discord and trouble in the future, to avoid Jaffa, which would also mean too many irons in the same pot, and to reach the sea at a point which would be helpful to the development of the hinterland and also would assure the Arabs an opening to the sea if a partition or canalization should follow in Palestine. I told him I had referred his paper to the Department in Washington for study.¹⁵

Mr. Bevin next brought up the establishment of a High Commissioner, I believe he called it—he gave me no papers—in Singapore, which would be the British point of outlook in the Far East. His government hoped it would be acceptable to us to station a liaison officer there. He stated that no such proposal had been made to the Soviets. He did not ask for an answer at this time.

¹⁵ The paper under reference here is presumably the undated memorandum which Bevin gave Marshall on April 8, 1947, explaining the British position on the various pipeline proposals. The memorandum is included in the documentation on the participation by the United States in the development of the petroleum resources of the Near East presented in *Foreign Relations, 1947*, volume v.

I took up with Mr. Bevin a memorandum just introduced by the British Representative on the Coordinating Committee which cited three questions as being fundamental issues in connection with the political organization of Germany. I explained to him that the American Delegation felt that the answers—from our point of view—hardly required comment, but we thought it inadvisable for the British to put such a proposal forward at this time because of the propaganda material they would give the Soviets for claiming that the British and Americans under cover were seeking for the definite partition of Germany; also, that one paragraph was so worded that it confused the issue, which involved our insistent stand that the election machinery should be controlled in the *Laender* and not in Berlin. He agreed to reconsider.

740.00119 Council/4-547 : Telegram

The Secretary of State to the Acting Secretary of State

CONFIDENTIAL
URGENT

Moscow, April 5, 1947—11 p. m.

1211. Delsec 1394. For the President, Vandenberg, Connally and Acheson from Marshall. Twenty-first CFM meeting, April 5, Marshall presiding, considered the Coordination Committee's recommendations on the creation of central administrative agencies for Germany and the establishment of a German Advisory Council.¹⁸

The Council reached the agreement in principle on the following paragraphs of a French proposal:

"The Control Council is directed to institute in the shortest possible time central German administrative departments dealing with those matters requiring central decision in the fields laid down in the Potsdam Agreement as well as for food and agriculture.

"These departments will be under the supervision [and direction of the appropriate quadripartite bodies] of the Allied Control Authority. When the German Provisional Government has been established new arrangements for control are envisaged."

The third paragraph of the French proposal which reads "Each department will be under the direction of a German executive committee, consisting of representatives of the several *Laender*, with a chairman holding executive authority subject to the decisions of the majority of the committee" was accepted by Marshall but was opposed by Molotov, who said the committee would be too complicated and suggested that the clause be referred to the Allied Control Council for study. Bevin urged the Council to settle the question here rather than

¹⁸ The Coordinating Committee's Report to the Council under reference here, document CFM(47)(M)101, April 4, 1947, is not printed. For the subsequent redraft of that Report, see document CFM(47)(M)121, April 11, 1947, p. 436.

refer it to the ACC which might be unable to agree, thus holding up the creation of central agencies as occurred after Potsdam. It was decided to refer the clause to the CFM Coordination Committee.

The fourth paragraph of the French proposal states: "The above provisions do not apply to the Saar territory and do not prejudice the future regime of the Ruhr and Rhineland." Bidault said that agreement to exclude the Saar was a condition of French acceptance of the creation of central administrative agencies and that the reference to the Ruhr and Rhineland was a French reservation. Marshall opposed the inclusion of this paragraph in the directive on central agencies but saw no objection to the French stating their reservation elsewhere. Molotov reserved his position on the entire clause adding that he was not prepared to speak on this subject. The paragraph was referred back to committee with the understanding that the French would reserve their final decision until they could study the redraft.

The second section of the committee's report was accepted without change. It read "The Allied Control Council will issue directives necessary for the guidance of these departments, including directives specifying the administrative functions to be allocated to the authorities of the *Laender*".

No agreement was reached on the third section which deals with the relationship of the central agencies to the Allied Control Council for Germany and to the Zone Commanders. Marshall stated that he favored the principle of non-intervention by Zone Commanders in the affairs of the central agencies. He added that so long as the military commander has authority to maintain security, his activities at this stage should be restricted rather than increased. This section was referred back to the committee.

The remainder of the meeting was spent discussing the establishment of a German Advisory Council. The US and UK proposals favored establishing the Council simultaneously with the establishment of the German central agencies; the French favored its establishment as soon as the boundaries of Germany have been determined and the Soviets wanted to set it up after the central agencies had completed an indefinite probationary period. It was agreed in principle that the Council would be created three months after the creation of the German central agencies. Bevin added that he wanted to see the provisional government set up at the end of one year.

Molotov's opposition prevented agreement on the composition of the Advisory Council.¹⁷ Marshall and Bevin accepted in principle a

¹⁷ Molotov's statements regarding the composition of a German Advisory Council, made during this meeting of the Council, are quoted at length in Molotov, *Speeches and Statements at Moscow*, pp. 67-69.

French proposal that "The Council shall consist of three representatives from each land appointed either by the government or by the Landtag of the land, and representing democratic public opinion in that land. The Advisory Council may consult the political parties and the trade unions". Molotov insisted that the Advisory Council be composed not only of representatives of the *Laender*, but also of representatives of political parties, trade unions and anti-Nazi organizations. Marshall pointed out that the representatives of the *Laender* would consult with the other groups mentioned by Molotov. He cited the system of committee hearings used by the US Senate and House as a practical means of obtaining the views of non-governmental groups. In view of the divergent views, the question was referred back to the committee.

The Council will continue discussion on Monday of the remainder of the report.

Repeated London 128, Berlin 221.

Department please pass to Vienna as 25, to Rome as 23 and to Paris as 108.

[MARSHALL]

740.00119 Council/4-847 : Telegram

The Secretary of State to the Acting Secretary of State

CONFIDENTIAL

Moscow, April 8, 1947—1 a.m.

URGENT

1236. Delsec 1398. For the President, Vandenberg, Connally and Acheson, from Marshall: Twenty-second CFM meeting, April 7, Bidault presiding, continued discussion of the functions of the German Advisory Council.¹⁸ The only agreement reached, and that subject to redrafting, was that the Advisory Council should advise the Control Council for Germany on the general aspects of the work of the central administrative agencies. When the discussion turned to other functions of the Advisory Council, Marshall stated that the US delegation agreed to the preparation of a provisional constitution on the understanding that the constitution would be general in nature and would contain no more than the minimum required to operate the provisional government for the short time needed for the preparation of a permanent constitution.

¹⁸ At this meeting the Council continued its consideration, begun at its previous meeting, of the Report of the Coordinating Committee to the Council, document CFM(47)(M)101, April 4, not printed. For the subsequent redraft of the Committee's Report, see document CFM(47)(M)121, April 11, 1947, p. 436.

Molotov proposed that "the rights and powers of both the German provisional government and of the *Laender* governments should be defined in the constitution".¹⁹ Bevin objected on the ground that the powers of the German central government should be clearly limited and that the remainder of the powers should be left to the German states in order to prevent the creation of a centralized government such as existed under Hitler. Marshall stated that the US delegation desired to avoid setting up a central government of a nature that might be converted readily into an autocratic government. He said the central government should be built on the structure of the *Laender* rather than the reverse. (See report on eleventh CFM meeting March 21²⁰)

Molotov repeated his view that the Allies should not decide whether Germany should be a federal or a centralized state but that this choice should be made by the German people in a plebiscite. He proposed for the first time that a date for the plebiscite be fixed as soon as possible.

Bevin firmly opposed Molotov's proposal which he said he could not accept. He recalled that the German people had twice in the recent past backed a centralized Germany and that for security reasons he would not agree to permitting the Germans to decide a question which it was the Allies' responsibility to settle. Bidault agreed, adding that the holding of a plebiscite throughout Germany would mean that Germany was unified, not for the voting period but for good. Marshall stated that we cannot assume at the present time or in the immediate future that the German people are prepared to act intelligently on this question. He cited the difficulties involved in drafting a provisional constitution, such as (1) playing politics with the German people as the tool, and (2) permitting the German people to take the lead in organizing a government along a line which we regard as highly dangerous to the peace of the world. He referred to the original US proposal which provided for (1) a German charter to be adopted by the Allied Control Council, (2) the drafting of a permanent constitution by the Advisory Council to be approved by ACC, and (3) a plebiscite on the permanent constitution. He said this plan avoids difficulties already encountered in introducing the proposal to draft a provisional constitution. Molotov said he had no apprehensions about a plebiscite since it dealt with a question involving German internal affairs, adding that it would be wrong for the Allies to impose a system of government on the Germans.

Since no agreement on this section appeared possible, the Council turned to consideration of the establishment of the provisional Ger-

¹⁹ For the Soviet account of this Council meeting, including long quotations from the statements made by Foreign Minister Molotov, see Molotov, *Speeches and Statements at Moscow*, pp. 69-74.

²⁰ For the report under reference, see telegram 927, Delsec 1330, March 21, from Moscow, p. 270.

man government. The question of holding elections after the approval of the provisional constitution by ACC was referred back to the Co-ordination Committee after an exchange of widely different views and after Bevin had suggested that the CFM postpone a decision on this question until its next session rather than hold up the creation of the German Advisory Council because of the disagreement over elections.

A discussion of the functions of the provisional government and the relationship between the provisional government and the Allied Control Council was passed over after a preliminary exchange of views indicated that agreement was not now possible. Bevin opposed sending this subject back to the Co-ordination Committee since he said the views of the Ministers were too far apart to attempt to reconcile them.

In order to give the Co-ordination Committee more time on its report concerning the division of powers between the central German government and the *Laender*, Marshall proposed that the Council go on to the next item on its agenda. Molotov opposed this suggestion. Bevin said he had been in Moscow for four weeks and done nothing so he didn't care what the Council discussed next. He added that there are fourteen items left on the CFM agenda. Bidault, as chairman, ruled that the Council would take up tomorrow the committee report on division of powers.

Repeated London 133, Berlin 277.

Department please pass to Vienna as 27, to Rome as 24, and to Paris as 114.

[MARSHALL]

740.00119 Council/4-847

*Memorandum of Conversation, by the Secretary of State*²¹

SECRET

[Moscow,] April 8, 1947.

I called on Mr. Bevin today at the British Embassy at 12:30 and remained until 2 p.m., lunching with him, just the two of us.

I requested the interview in order to discuss with him the procedure we had best follow from now on in the meetings of the Foreign Ministers. It became apparent to me yesterday, and also to him, I found, that if we continued the present process, our time would run out before we even reached the Austrian treaty. We therefore agreed that so far as was within our control we would follow the policy of shortening discussions, making no comments other than were absolutely necessary, and insisting on passing over the items thus covered and leaving them

²¹ In telegram 1308, Kosmos 30, April 11, from Moscow, not printed, Secretary Marshall asked Acting Secretary Acheson to see that President Truman had an opportunity to read the memoranda of conversations which the Secretary periodically forwarded to Washington, particularly the memorandum printed here.

for future decision, the Conference going on to the next item on the agenda. I stipulated two exceptions to this procedure: one would be the four-power pact on the agenda and the other the Austrian treaty. These we would discuss at length in the hope of reaching an agreement and concluding these matters.

Mr. Bevin stated that he felt that unless we followed some such course as that above indicated, there would be no hope of completing the Austrian treaty, which we both regarded as a very important issue to be completed at this meeting.

Mr. Bevin then, on his own initiative, discussed several issues.

He generalized on what might be the best procedure in the event, as now seemed practically certain, that we had to fall back for the time being on a bi-zonal procedure. He thought we should immediately endeavor to determine a new level of industry and suggested again ten million tons of steel as the basis of departure for the investigation. He thought it very important that the German people should have a clear indication that we were endeavoring to clear up this matter in as short a time as possible. Mr. Bevin also stated that we should determine, following this information of the level of industry, what plants could be dismantled and released for reparations payments. He thought it important that this be done without further delay, both to the West and to the East.

He then turned to the question of prisoners, outlining the importance of having definite data on which to base the development of arrangements for their reception in our zones in Germany. Accepting the necessity for the prompt determination of this data, I questioned Mr. Bevin as to the British attitude regarding the return of prisoners, stating the American position that an early return was earnestly desired by the American people and explaining that we were bringing pressure on the French for the prompt return of those prisoners that we had turned over to them. I explained that I was desirous, in an informal way, of getting the real attitude of the British Government and the British people in this matter and their views of the American position, we not having sustained any family [*sic*] or structural losses during the war.

Mr. Bevin stated the British felt that it was very important to hold these prisoners for several reasons. In the first place, so long as Great Britain maintained over a million men in the service, the shortage of manpower was a serious matter and the German situation was responsible in a large measure for this shortage; therefore, it was only just that these German male prisoners be utilized to meet the dilemma. He stated that they were being treated well, that a normal wage was being paid by the employer to the Government, so that the employer derived

no profit from the employment of prison labor greater than that from the employment of ordinary British labor. He also stated that their figure for the return of 20,000 a month was also, in addition to the foregoing considerations, based on the fact that there were not accommodations for these men in the British zone and the construction of accommodations did not admit of a more rapid return.

Mr. Bevin then turned to the questions of reparations and stated that he would send me a paper on this shortly in relation to that aspect that we had discussed previously in the Conference, based on recompensing the Allies concerned for the loss of such allocated plants as were held in Germany in order to raise the level of industry. He stated that personally he was not bound down to a fixed thing in this matter, that he was becoming of the opinion, particularly through the statements of a Canadian adviser, that reparations out of capital goods or equipment had not proved a profitable procedure, that the expenditures required to transfer the plant equipment and to set it up were prohibitive, that much of the machinery was rapidly deteriorating though the Soviets were trying to grease and box a portion of this, but that altogether the transfer of capital equipment had proved a failure. At the same time he felt that we could not any longer delay the resumption of these transfers, particularly the Western Allies.

We discussed the cost of the military forces which Great Britain and the United States would have to maintain in Germany in the absence of quadripartite agreements, and certainly during the period of bi-zonal procedure, compared with the expenditures in which we might become involved if any procedure on the basis of reparations out of current production were admitted. It seemed to both of us that it was very important to reach some understanding which would permit the prompt reduction of military forces; otherwise, these expenditures would dwarf the obligations for direct appropriations to meet the deficiency in the standard of living of the German people.

Mr. Bevin said he would send me a paper, at my request, regarding the point introduced at our previous meeting²² regarding a British setup at Singapore, for which an American liaison representative was desired.

740.00119 Council/4-847 : Telegram

The Secretary of State to the Acting Secretary of State

CONFIDENTIAL
US URGENT

Moscow, April 8, 1947—Midnight.

1263. Delsec 1405. For the President, Vandenberg, Connally and Acheson, from Marshall: Twenty-third CFM meeting, April 8, Bevin

²² See *ante*, p. 309.

presiding, discussed the division of powers between the proposed German Provisional Government and the State (*Laender*) Government.²³ The US, UK and French delegations agreed that all powers should be vested in the States except such as are expressly delegated to the Central Government. Molotov insisted that the Central Government have authority to assume responsibility for fulfilling Germany's obligations to the Allied states.²⁴ Marshall and Bevin attempted without success to get Molotov to agree that the Allied Control Council for Germany would be responsible for seeing that Germany fulfilled its obligations during the provisional period of the Central German Government.

Marshall stated that the US delegation believes the division of powers should be left to a German constitutional convention, and that the framers of this constitution should be given only the most general instructions. He said the Council should do no more on this subject than agree on the general requirement that such powers as police, internal security, culture, education, and religious affairs should not be delegated to the Central Government. He added that he did not think a detailed enumeration of the powers to be granted to the Central Government merited consideration of the Council. The other Ministers then discussed this subject at some length.

Agreement in principle was reached by Bevin, Bidault and Molotov that the Central Government should be competent to adopt legislative and executive measures in order to ensure the unity necessary in the political, legal, economic and financial fields. During this discussion Molotov met British and French objections to several Soviet proposals by making three concessions. The only important one dealt with the power of the Central Government to establish "security police", which Molotov agreed to delete. A discussion of whether the Central Government is to have an all-German budget resulted in a compromise which will strictly limit the items included. All the clauses were sent back to committee for redrafting and in an attempt to overcome French reservations on parts of several phrases.

Bevin suggested that the Council refrain from discussing the powers to be reserved to the State Governments since the positions of the delegations (see report on 22 CFM meeting²⁵) were so divergent that no agreement could now be reached.

²³ Under consideration by the Council at this point was the Report of the Coordinating Committee, document CFM(47)(M)105 (Revised), April 8, 1947, not printed. For the subsequent redraft of the Report, see Section E of document CFM(47)(M)121, April 11, 1947, p. 436.

²⁴ For the texts of the statements made by Foreign Minister Molotov at this and other points of the Council meeting, see Molotov, *Speeches and Statements at Moscow*, pp. 74-77.

²⁵ *Ante*, p. 313.

The Council then considered the report of the deputies on the statement made to them by representatives of the Inter-Allied Reparations Agency.²⁶ The deputies had decided that it was not necessary for the Council to hear additional statements of the agency. Bidault proposed and Molotov agreed:

1. That the Council should decide that the removals of plants from Germany should be resumed immediately, whether or not the level of German industry was raised.

2. That the process of evaluating and allocating removals should be simplified and expedited and an office of reparations created to work under the Allied Control Council, and

3. That the Council should revive the Allied Reparations Commission.²⁷

Marshall stated that the IARA report indicated an early agreement should be reached on the level of industry. He said the US was prepared to expedite reparation deliveries but that practical difficulties stood in the way of the quick resumption of removals. He said he opposed reviving the Reparations Commission, but would study Bidault's proposal. Bevin urged that the Council note the IARA report and deal with it when the Council again discusses the entire problem of reparations, "if it does".

Molotov accused the US and UK of not carrying out the Potsdam decision regarding the Reparations Commission. Bevin replied that Soviet obligations to the Western Powers contained in the Potsdam protocol had not been fulfilled and joined with Marshall in denying that the US and UK were responsible for the failure of the Reparations Commission to do any work.

Discussion of tomorrow's agenda was so confused by Molotov that Bevin asked him if his tactics were an attempt to keep the Council from reaching the end of the agenda agreed on for this session. Marshall stated that it is of first importance to get on with the agenda and to pass over disagreements. He said that if time affords, the Council can return to discuss the disagreements. He urged the Council to exchange general views on all subjects on its agenda which would be valuable for the deputies or for the next Council meeting, adding that to continue discussing disagreements leads the Council nowhere.

Repeated London 140, Berlin 236.

Department please pass to Vienna as 30, Rome as 26 and Paris as 122.

[MARSHALL]

²⁶ For the text of the Report, document CFM (47) (M) 98, April 3, 1947, see p. 434.

²⁷ For the text of Bidault's proposals, see *Déclarations de Bidault*, pp. 27-28.

740.00119 Council/4-947 : Telegram

The Secretary of State to the Acting Secretary of State

CONFIDENTIAL

Moscow, April 9, 1947—11 p.m.

US URGENT

1274. Delsec 1408. For the President, Vandenberg, Connally and Acheson, from Marshall: Twenty-fourth CFM, 9th April, Molotov presiding, first heard Murphy present report of deputies on views of Allied States, as developed in London, on preparation of a peace treaty with Germany.²⁸ It was agreed that report be noted with understanding that pertinent portions thereof would be considered in subsequent discussions of related agenda items.

Marshall then delivered statement on the Polish-German frontier (full text cabled in clear),²⁹ pointing out importance to peace of dealing with problem in interest of Europe as a whole. He recognized that some long-German territory must be ceded to Poland, and pointed out economic and political factors that must affect final decision. He stated that southern East Prussia and German upper Silesia (including its industrial complex) should become Polish, but with adequate safeguards to assure availability of its coal and other resources to help sustain economy of Europe. The division of remaining territory, he felt, being largely agricultural land, requires consideration of needs of Polish and German peoples and Europe as a whole. Marshall then proposed establishment of special boundary commission to function under direction of deputies, composed of representatives of four Council nations, Poland, and a convenient number from other Allied States to be designated by CFM. The commission, he said, should recommend to CFM:

1. A revision of pre-war Polish-German boundaries which will compensate Poland for cession of territory east of Curzon Line to Soviet Union; and

2. The economic arrangements appropriate to assure that those raw materials and heavy industrial resources vital to European economy shall fairly serve that need, including particularly need of Poland.

Bidault pointed out that if a logical approach to problems of Germany had been pursued by CFM, the Council would have discussed German boundaries before attempting to agree on political or economic considerations affecting territory within such boundaries. He said that provisional agreements at Potsdam, which he was not prepared to interpret, appeared to be already permanently accepted as to boundaries,

²⁸ For the text of the Report of the Deputies, document CFM(D) (47) (G) 70, February 25, 1947, see p. 40.

²⁹ For the text of Secretary Marshall's statement, circulated to the Council as document CFM (47) (M) 110, April 9, 1947, see *Germany 1947-1949*, pp. 146-148, or Department of State *Bulletin*, April 20, 1947, pp. 693-694.

and he would not attempt to thwart those Allies (Poland and Soviet Union) who had suffered so much in the war. We cannot expect, Bidault continued, that any German Government will accept the present *de facto* boundaries willingly without a twinge of revenge or chauvinism; nor can we tolerate in the center of Europe an overpopulated Germany confined in too narrow bounds. From a security viewpoint, Bidault said, the French proposals on Ruhr and Rhineland should be seriously considered. We should therefore proceed to avoid an opportunity for Germans to take advantage of Allied dissension on boundaries. Bidault then proposed that we consider the overall boundary principles at CFM, then arrange for deputies to consider views of all those countries bounding on Germany, and report to CFM at their next session, whenever that may be. Bevin said he had given much thought to problem, and was convinced that all Allied nations were greatly concerned, from a long range world security view, in any final settlement of German frontiers. He pointed out that problem was strategic, racial, and political, and any historian would sympathize with Poland's troubles through the past 150 years. Is it logical, he queried, to reduce Germany's territory to point where she can do nothing but revert to an industrial economy? We must find a way to make available to Germany a greater agricultural potential for preliminary resurgence of her war potential. He suggested, purely for preliminary study, a somewhat confused idea on the area between the western and eastern Niesse, without making clear just what he proposed to do with it. Finally, he could not associate himself with Marshall's proposal because it would solve only one part of the German frontier problem. He then proposed that the deputies be directed to prepare a complete study on the entire German boundary question, with due regard to views of all concerned, and that until a decision was reached, no further population transfers be made.³⁰

Molotov said that at both Crimea and Potsdam we had made obligations and taken decisions on western boundaries of Poland the force of which could not be doubted. Poland readily agreed, he stated, to transfer to Soviets of Eastern portions of Poland because the inhabitants wanted to join their Byelo-Russian and Ukrainian brothers. There was no question at Potsdam of recompense to Poland on her western frontier because of losses on her eastern border. Molotov then quoted figures and made statements which proved irrefutably (to his satisfaction only) that the existing western boundary of Poland was an agreed permanent frontier, and that any change therein would be a failure to respect the obligations made by our heads of government

³⁰ For the text of Foreign Minister Bidault's statement, circulated to the Council as document CFM (47) (M) 112, April 9, 1947, see *Déclarations de Bidault*, pp. 34-36.

at Potsdam. He flatly rejected Marshall's proposal for a commission, and said that Poland would diligently provide proper economic arrangements.³¹

Marshall said Molotov's statement as to finality of Potsdam was in complete disagreement with meaning of English language and statements made by President of United States. Furthermore, he said, on July 21, 1945, according to US minutes, Generalissimo Stalin himself had made a statement to the effect "until the Polish boundaries are finally set".³² He again quoted Stalin to show that the mixed population along German-Polish frontier was a condition of the moment caused by war movements at that time and that it was on this clear understanding, in plain English that President Truman accepted as a fact that Potsdam was not a final settlement of Polish boundary.

Bevin then quoted Stalin on 31 July 1945 as clearly stating that the Polish boundary was not to be considered final, but that this was a matter for the peace settlement.³³ Bevin then said he was not prepared to go back on Potsdam, and associated himself with Marshall's proposal as amended by Bevin, that a study of the frontiers be made.

Molotov then quoted the President's radio address of 9 August 1945,³⁴ to show that there was no doubt that the United States accepted the Polish boundary as permanent.

Marshall pointed out that President was referring to general considerations of Poland's eventual western boundaries, but that actual whereabouts was for peace settlement. He then quoted Bevin, Byrnes and Stalin in conversation of 31 July 1945 to clinch the then agreed understanding.³⁵

Bidault said it was unfortunate a French representative had not been present at Potsdam so that a disinterested, unbiased, and correct interpretation would be available. He then quoted official French statements to prove his understanding that German boundaries are provisional only. He felt boundary problems should not be referred to committee until further discussion on principles had occurred.

³¹ For the details of Foreign Minister Molotov's statement, see Molotov, *Problems of Foreign Policy*, pp. 418-424.

³² At this point in the discussion, Secretary Marshall was quoting from the Department of State Minutes of the Fifth Plenary Meeting of the Berlin Conference, July 21, 1945; see *Foreign Relations, The Conference of Berlin (The Potsdam Conference)*, 1945, vol. II, p. 209.

³³ Regarding the Stalin statement cited by Bevin, see the Cohen Notes of the 11th Plenary Meeting of the Berlin Conference, July 31, 1945, *ibid.*, p. 534.

³⁴ For the text of the President's radio address on the Berlin Conference, see Department of State *Bulletin*, August 12, 1945, p. 208.

³⁵ At this point Secretary Marshall quoted from the Department of State Minutes of the 11th Plenary Meeting of the Berlin Conference, *Foreign Relations, The Conference of Berlin (The Potsdam Conference)*, 1945, vol. II, p. 519. Marshall quoted the first four paragraphs of the page cited.

Molotov said Stalin's quotes actually proved the Soviet position as stated by Molotov.

The meeting then adjourned.

Repeated London as 142, Berlin as 241.

Department please pass to Vienna as 31, Rome as 28 and Paris as 125.

[MARSHALL]

740.00119 Council/4-1047 : Telegram

The Secretary of State to the Acting Secretary of State

CONFIDENTIAL

Moscow, April 10, 1947—11 p.m.

US URGENT

1297. Delsec 1414. For the President, Vandenberg, Connally and Acheson from Marshall. 25th CFM meeting, April 10, Marshall presiding, continued discussion of the frontiers of Germany, including the future status of the Ruhr, the Rhineland and the Saar.

Bidault restated the French view that a special status for the Rhineland is essential to the security of France and the rest of Europe. In order to avoid mistakes made after the first World War, he insisted that the Rhineland be separated politically and economically from the rest of Germany and that military forces be stationed permanently in German territories on the left bank of the Rhine. He said that although France supported the draft Four Power treaty proposed by the US for the disarmament of Germany, the French plan for the Rhineland was necessary in addition, as a concrete guarantee against future German aggression.

Bidault said France demanded the internationalization of the Ruhr and opposed an increase in the level of Germany's peacetime industry unless this condition is met. He said the international regime proposed for the Ruhr would issue general directives to the German managers of the coal mines and the steel plants. Ownership of the basic Ruhr industries would be transferred to the Allied states. The area would be separated economically and politically from Germany.³⁶

Bevin reaffirmed his position that as long as Germany is not treated as an economic unit during the occupation period he opposes any special regime or arrangement for the Ruhr. He added that when it was decided not to "pastoralize" Germany, he concluded that German

³⁶ For the texts of Foreign Minister Bidault's statements on the Rhineland and the Ruhr, which were circulated to the Council as documents CFM(47)(M)118 and 119, April 10, 1947, see *Déclarations de Bidault*, pp. 36-40, or *Documents on International Affairs 1947-1948*, pp. 466-470.

industry would contribute to the well-being of all Europe. He said that any dismemberment of Germany, including the creation of a special regime for the Ruhr, would create agitation for a United Germany which the Allies would find difficult to control. He insisted that during the occupation period the Ruhr must be treated the same as all other parts of Germany. He said he believed the proposed Four Power treaty would better protect the security of the Allies when the occupation ends than would the separation of the Ruhr from Germany as the French wished. No statement on the ultimate status of the Ruhr, he added, could be made now but he hoped Ruhr industries could be reoriented in such a way that they would become an asset for all Europe.

With reference to the Rhineland, Bevin opposed separation of this area from Germany adding that a preferable solution was long-term occupation by the Allies. He pointed out that the Saar was a special case, that the British supported French claims to this area. Regarding the territorial claims of other Allied states, Bevin said these merit consideration. He said the British Government, at the time that the Netherlands was flooded, had promised to support certain Dutch territorial claims. He pointed out that it was important in fixing Germany's new frontiers to leave Germany in a position to develop eventually into a balanced democratic state able to make its contribution to the family of nations.

Marshall told the Council (full text cabled Department ³⁷) that the economic resources of the Ruhr raise two problems: (1) how to ensure against the militant use of these resources by a revived Germany; (2) how to assure that these resources will be equitably employed in the interests of European states, including Germany. He agreed with Bevin that during the occupation period no special regime for the Ruhr is necessary. He said that questions about the use of these resources should be settled on a European-wide basis and suggested that they be handled by the Economic Commission for Europe. He asked that agreement be reached to allocate essential commodities from the Ruhr and other areas on basis of two principles: (1) equitable distribution of commodities in short supply; and (2) access to commodities on non-discriminatory basis.

Marshall referred to his great interest in Germany's boundaries which was based on the fact the US had twice been forced to send its military forces across the Atlantic in wars which started in Europe. He said the Council's task was to make a peace settlement which as a whole the people of Europe will want to maintain and not to break.

³⁷ For the text of Secretary Marshall's statement on the Ruhr, circulated to the Council as document CFM(47)(M)115, April 10, 1947, see *Germany 1947-1949*, pp. 329-330, or Department of State *Bulletin*, April 20, 1947, pp. 694-695.

He expressed his hope that the new boundaries claim to permanency will be based on foundations other than force alone. With regard to the territorial claims of other Allied states, Marshall said he did not think these should be discussed by the Council now but that they merited consideration later.³⁸

Marshall supported the claims of France to have the Saar detached politically from Germany and to have it integrated with the French economic and financial system (full text cabled Department). He suggested that the Saar be taken from the jurisdiction of the Allied Control Council immediately and placed under French jurisdiction subject to an adjustment of the French reparations claim.³⁹

Bidault presented a detailed proposal on the regime for the Saar including a customs and monetary union with France, the withdrawal of the area from Germany and from ACC jurisdiction, a Saar constitution providing considerable local autonomy and a French high commissioner with limited powers. France would be responsible for foreign affairs and the defense of the area. Bidault asked immediate agreement on this question, and added that in principle France supported the territorial claims of other Allied states including Luxembourg, Belgium, the Netherlands and Czechoslovakia.⁴⁰

The Council will hear Molotov on these questions tomorrow.

Department please pass to Vienna as 32, Rome as 29, and Paris as 127.

Sent Department 1297; repeated London 145, Berlin 249.

[MARSHALL]

740.00119 Council/4-1147: Telegram

The Secretary of State to the Acting Secretary of State

CONFIDENTIAL

Moscow, April 11, 1947—11 p.m.

URGENT

1320. Delsec 1416. For the President, Vandenberg, Connally and Acheson from Marshall. Twenty-sixth CFM Meeting, April 11, Bidault presiding, continued discussion of the future status of the Saar,

³⁸ For the text of Secretary Marshall's statement on the problem of boundaries summarized in this paragraph, see Department of State *Bulletin*, April 20, 1947, p. 696.

³⁹ For the text of Secretary Marshall's statement on the Saar, circulated to the Council as document CFM (47) (M) 116, April 10, 1947, see *Germany 1947-1949*, p. 148, or Department of State *Bulletin*, April 20, 1947, pp. 695-696.

⁴⁰ For the text of Foreign Minister Bidault's statement on the Saar, circulated to the Council as document CFM (47) (M) 120, April 10, 1947, see *Déclarations de Bidault*, pp. 40-42, or *Documents on International Affairs 1947-1948*, pp. 470-471. For the text of the French proposal for a regime for the Saar, circulated to the Council as document CFM (47) (M) 114, April 10, 1947, see *Déclarations de Bidault*, pp. 42-43.

the Ruhr and the Rhineland. Molotov said a decision on the French claim to the Saar must be taken and that Bidault's proposal merited study. He added that the Soviet Union could not approve any action aimed at separating the Ruhr and the Rhineland from Germany because the German people cannot be deprived of their state by dismemberment.

Referring to Marshall's proposal on the resources of the Ruhr, Molotov said the USSR agreed that this question should be approached from the points of view of (1) International security, and (2) The future use of these resources. He disagreed with Marshall's statement that a special quadripartite regime for the Ruhr was not necessary during the occupation period. He recalled that at Potsdam it was agreed that the Council of Foreign Ministers would discuss later, when a representative of France was present, the Soviet proposal to create a special quadripartite regime for the Ruhr. He said this discussion had not yet taken place and asked that the Soviet plan for this area be accepted now. He added that it was wrong for this area to remain under exclusive British control and that the fusion of the US-UK zones had resulted in placing the Ruhr under the control of two powers without the consent of France and the USSR. He accused the US and UK of having separated western Germany from the rest of Germany and of having unilaterally initiated a policy of dismembering Germany. He said this situation was unsatisfactory to the Soviet Union. He alleged that the equitable distribution among all allied states, including Germany, of coal and steel from the Ruhr cannot be insured under the fusion agreement but must be done by the Allied Control Council on which the four occupying powers are represented. He charged that the US and UK are now using the resources of the Ruhr to advance their own interests to the detriment of the other allies.

Concerning Marshall's reference to the future use of the resources of Upper Silesia, Molotov said this subject could not be discussed by the Council because to do so would be to interfere in the internal affairs of Poland. He said he would not comment now on the territorial claims of the other allies but that these claims merited study.⁴¹

Marshall said the US favored quadripartite control for all Germany, including the Ruhr, but opposed a separate regime for the Ruhr. He said the effective block to quadripartite control of all Germany was the failure to achieve economic unity in Germany. He added that he could not accept the logic of Molotov's conclusion regarding the bizonal agreement which was forced on the US and UK by the economic dislocation growing out of the failure to treat Germany as an economic

⁴¹ For the text of Molotov's statement on the Ruhr, the Rhineland, and the Saar, circulated to the Council as document CFM (47) (M) 123, April 11, 1947, see Molotov, *Problems of Foreign Policy*, pp. 425-433.

unit. He said the US desires the early realization of economic unity which would automatically bring about four power control of the Ruhr.

Bevin said the British had tried to carry out Potsdam but that the Control Council for Germany had been prevented from functioning properly, thereby forcing the UK to join with the US in uniting their zones. He said the US and UK did not take the first step in creating this situation and blamed the Soviet Union for causing the breakdown in the quadripartite allocation of German commodities. He said no state could make a monopoly of its zone and then demand specific rights in other zones. He said the British wanted to return to the original aims of the Control Council which would end present Allied difficulties in Germany.

Bidault demanded that a decision on the Saar be taken now and asked the Council to appoint a committee of experts to work out the details of the economic incorporation of the Saar into France. Molotov said he would study Bidault's proposal which appeared justified. Marshall said he agreed insofar as Bidault's plan conformed with the US proposal presented yesterday, and Bevin said British position in general was clear but that the decision on the exact frontier should be referred to the boundary commission to be established.

Bidault stated the French position on the territorial claims of Luxembourg, The Netherlands, Belgium and Czechoslovakia and then discussed the Franco-German boundary. He proposed that all territorial claims be referred to the deputies who would set up special frontier committees. Bevin agreed as long as all frontiers of Germany, east and west, be considered.⁴² Molotov objected to referring the Polish-German frontier to a committee since he said this was settled at Potsdam but agreed that the other territorial claims should be referred for study. Marshall accepted in principle the procedure proposed by Bevin. Bidault said agreement had not been reached on this subject since the the competence of the boundary committees to study the eastern frontier of Germany was in dispute. The Council then discussed the Coordination Committee report on central administrative agencies, the German advisory council and the future provisional German government.⁴³ Disagreement arose over whether the German central agencies should be managed by German state secretaries, as agreed at Potsdam and insisted on by the Soviet Union, or by German executive committees, as suggested by the French as supported by the US and

⁴² For the text of Bidault's statement on frontier rectifications claimed by several Allied countries, circulated to the Council as document CFM (47) (M) 124, April 11, 1947, see *Déclarations de Bidault*, pp. 43-45.

⁴³ For the text of the Coordinating Committee document CFM (47) (M) 121, April 11, 1947, see p. 436.

UK. Molotov refused to accept the change because he claimed it involved a departure from a decision taken at Potsdam. He rejected Bevin's attempt to compromise the difference. Marshall said that in the light of the facts, Molotov's allegation that the US and UK apparently want to walk away from the Potsdam decision hardly seems a serious argument. He rejected Molotov's comparison between the power of the US Secretary and that of the proposed German state secretaries by pointing out that the US was not under an Allied Control Council nor has it ever been considered an enemy of democracy or a menace to civilization. The Council then adjourned.

Department please pass to Vienna as 34, Rome as 30 and Paris as 129.

Repeated London 146, Berlin 252.

[MARSHALL]

740.00119 Council/4-1247

Memorandum of Conversation, by the Secretary of State

SECRET

Moscow, April 12, 1947.

Present: Mr. Kardelj, Vice President of Yugoslavia and Head of Yugoslav Delegation
 Mr. Simich, Yugoslav Foreign Minister
 Yugoslav Interpreter
 Secretary Marshall
 Mr. Matthews

Mr. Kardelj called this noon at his request and said he was pleased to have the chance to meet me and to present the views of his Government. He said he assumed there would be full discussion of Yugoslavia's claims against Austria and he would not therefore go into detail this morning. His country had suffered greatly during the war. His Government felt strongly that they could not permit their fellow countrymen (in Carinthia) to live under Austrian rule. He would not go into past history under which these unfortunate people had been left under Austria. There could not, however, be good relations between Yugoslavia and Austria until this question was settled. His country bore no animosity against Austria and following such a settlement hoped for cordial relations between the two countries. Unfortunately, he was afraid that the "general international situation" would have its effect on Yugoslavia's claims.

He also wished to touch on general relations, both political and economic, between the United States and Yugoslavia.⁴⁴ These had, in the

⁴⁴ For additional documentation on the political and economic relations between the United States and Yugoslavia in 1947, see volume iv.

past, not been of the best and he hoped that they could be improved. They had been affected by the "international situation". Yugoslavia had gone through a very difficult period and had it not been for the aid of UNRRA he did not know how his country would have survived. With the thought of now trying to improve relations his Government had made certain proposals to the State Department about two weeks ago. He hoped they would be given careful study.

I said that I was glad to meet him and to have the opportunity to hear directly from him the views of the Yugoslav Government. As regards Yugoslav claims in connection with the Austrian treaty, I could assure him that my attitude would be impartial. (I repeated the word "impartial" to the interpreter.) I said I agreed that relations between the United States and Yugoslavia in the past have been unfortunate. At times they have been tragic. I was glad to hear that he wished to improve them. I had not yet received the communication to which he referred from Washington but would study it carefully when received.

Mr. Kardelj said that he thought the best place to start in seeking improvement in our relations was with a commercial treaty. There had been some desultory talks on this question last year but they had not been serious and no progress had been made in view of the "international situation". He is particularly anxious, however, to better Yugoslavia's economic relations with the United States and hoped that we could now make progress with a commercial treaty.

I said that there might be some profit in hearing the views of the Yugoslav Government on this question and saw no reason why their presentation at Washington should be delayed. I and my advisers were too absorbed in matters pertaining to the Conference, however, to study them here in Moscow.

Mr. Kardelj asked when I thought the Yugoslav Delegation would be heard in connection with the Austrian treaty.

I said that I could make no prediction as to when we would reach the Austrian treaty on the agenda. We are already two weeks behind schedule according to my estimates. I hoped that we would reach the Austrian treaty on the agenda promptly. In quadripartite discussions, however, it is not enough for one delegate to try to make progress, as long as human speech remains. I had found in my experience here that it is easier to delay than to accelerate.

Before taking his departure and thanking me for receiving him, Mr. Kardelj again asked that sympathetic consideration be given Yugoslavia's claims when the Austrian treaty is reached.

740.00119 Council/4-1247: Telegram

The Secretary of State to the Acting Secretary of State

CONFIDENTIAL

Moscow, April 12, 1947—11 p.m.

US URGENT

1333. Delsec 1418. For the President, Vandenberg, Connally and Acheson from Marshall. Twenty-seventh CFM meeting, April 12, Bevin presiding, made very little progress toward resolving differences on the establishment of central German administrative agencies, the German advisory council, and a provisional government for Germany.⁴⁵

Differences of opinion on the future provisional government involve not only the functions of this government, but also its relationship to the Allied Control Council. No agreement was reached on the division of powers between the provisional central government and the state (*Laender*) governments. The Council agreed to refer the entire question of the provisional government of Germany to the deputies for Germany, who will report to the CFM at its next session whenever that may be.

The Council agreed that the destruction of German military material and the demolition of military establishments and installations should be accelerated.⁴⁶ It also agreed that the ACC should (1) draw up by next July a plan for liquidating German plants constructed especially for the production of war materials, and (2) carry out this plan before June, 1948.

Bevin agreed on condition that if the UK, despite its best efforts, could not completely finish liquidation of these plants in its zone by this date, ACC would be informed. No agreement was reached to fix a specific period within which a plan for the liquidation of German war industry potential would be completed. Marshall pointed out and Bevin agreed that no such plan is possible prior to a decision on the level of Germany's peacetime industries. After discussing democratization, the Council agreed to refer to ACC the unagreed questions concerning both demilitarization and democratization.

The Council also heard the German deputies' report on the procedure for the preparation of the German peace treaty⁴⁷ and discussed without reaching agreement the following major differences which the deputies were unable to resolve: (1) degree of Albania's participation; (2) awaiting the formation of a central German government

⁴⁵ The Council was at this point completing its consideration of the Report of the Coordinating Committee, document CFM (47) (M) 121, April 11, 1947, p. 436.

⁴⁶ The Council was considering here the Report of the Special Committee, document CFM (47) (M) 122, April 11, 1947, p. 446.

⁴⁷ The reference here is to document CFM (47) (M) 125, April 12, 1947, p. 452.

before calling the peace conference; (3) including China among the CFM powers convening the peace conference; (4) the composition of the peace conference; (5) whether the German government or representatives of Germany would present their views to the conference; (6) the degree to which the CFM will be bound by the recommendations of the peace conference; (7) whether the treaty will be signed by a German government; (8) whether the treaty will be ratified by Germans; (9) whether a clause will be included in the German constitution concerning treaty obligations. The discussion on procedure is to be continued Monday.

Department please repeat to Vienna as 35, to Rome as 32; and to Paris as 132.

Repeated to London 150, Berlin 256.

[MARSHALL]

740.00119 Council/4-1447: Telegram

The Secretary of State to the Acting Secretary of State

CONFIDENTIAL

Moscow, April 14, 1947—midnight.

URGENT

1358. Delsec 1426. For the President, Vandenberg, Connally and Acheson from Marshall. 28th CFM meeting, April 14, Molotov presiding, continued the discussion of procedure for the preparation of the German peace treaty.⁴⁸ Marshall stated that in general our position has been that the peace conference should function along substantially the same lines as the Assembly of the United Nations. He said it does not seem proper to exclude any state at war with Germany from participation in the conference. However, in counting votes, he suggested that no conference recommendation be considered as accepted by either a 2/3 or a majority vote unless concurred in by 2/3 or by a majority of those states present and voting which are neighbors of Germany or which participated with their armed forces in the common struggle against Germany. He agreed that the CFM in drawing up the final text of the German treaty should take into consideration both 2/3 and majority recommendations of the peace conference in the same way as was done with the satellite treaties. He said the US would not object to the treaty being signed and ratified by the German Government if the German constitution (ratified previously) contained a clause directing the German Government to accept and ratify the peace treaty.⁴⁹

⁴⁸ Under discussion at this point was the Report of the Deputies, document CFM (47) (M) 125, April 12, 1947, p. 452.

⁴⁹ For the text of Secretary Marshall's statement summarized here, circulated to the Council as document CFM (47) (M) 126, April 14, 1947, see *Germany 1947-1949*, p. 197, or Department of State *Bulletin*, April 27, 1947, pp. 742-743.

The Council agreed to consider the peace conference's recommendations in the same way as was done for the satellite treaties. Molotov and Bidault agreed to study but indicated opposition to Marshall's proposal to include a treaty clause in the German constitution. No decision was taken on the suggested composition of the peace conference.

The Council agreed on: (1) the right of Allied states to present their views on the German problem, and (2) the creation of four permanent committees to study questions relating to the treaty. Agreement was not reached on the states which would be members of these committees.

The Council approved the establishment of an information and consultation conference of Allied states which will keep these states informed of CFM work on the preparation of the treaty and will organize consultations with representatives of these states. However, disagreement over the membership of this conference was not resolved.⁵⁰

The Council then considered the US draft treaty under which the four principal Allied powers would undertake to work together to keep Germany disarmed for 25 years or more.⁵¹ Marshall said the US believes the time has now come for the three other powers to decide whether or not they want a four-power treaty to keep Germany disarmed. He suggested that if the other three powers want such a treaty in principle, negotiators be named immediately to draft a final text on the basis of the US draft and all other suggestions.⁵²

Bidault said France had already accepted in principle the US proposal for such a treaty, adding that the signing of this treaty would prove that the Allies, despite their differences, are agreed on preventing the rearmament of Germany. He welcomed the US commitment to take an active part in keeping Germany disarmed, but presented numerous considerations. Bevin reaffirmed British acceptance in principle and agreed that negotiators be named. He said that had such a treaty existed after World War I, the recent war might have been prevented.⁵³

⁵⁰ For the text of the Council's decision with respect to CFM(47) (M)125, see footnote 9, p. 452.

⁵¹ For the text of the draft treaty, see document CFM(46) 21, April 30, 1946, *Foreign Relations*, 1946, vol. II, p. 190.

⁵² For the text of Secretary Marshall's statement summarized here, circulated to Council as document CFM(47) (M)127, April 14, 1947, see *Germany 1947-1949*, p. 101, or Department of State *Bulletin*, April 27, 1947, p. 742.

⁵³ Foreign Minister Bidault's statement summarized here, which was circulated to the Council as document CFM(47) (M)128, April 14, 1947, is printed in *Déclarations de Bidault*, pp. 46-49.

Molotov submitted specific amendments to the US draft treaty.⁵⁴ He criticized the preamble of the draft because it does not mention as an objective of the treaty the eradication of German [militarism and ?] Nazism and the creation of a democratic peaceful Germany. He said the draft was based on a different premise than that included in the Crimea and Potsdam Agreements because it provides only for the disarmament and demilitarization of Germany. He asked that clauses be added to the draft providing for: (1) destruction of German industrial potential; (2) quadripartite control of the Ruhr and its resources; (3) abolition of German cartels and monopolies and transference of ownership of these properties to the German state; (4) land reform involving the breaking up of large estates; (5) termination of the occupation of Germany only when the occupying powers agree that the basic objectives of the occupation have been achieved such as (A) completion of demilitarization; (B) creation of a democratic state; and (C) fulfillment of obligations, including reparations, to the Allied states.

Molotov also suggested: (1) that the title of the treaty be changed to "Treaty on Demilitarization of Germany and on the Prevention of German Aggression"; and (2) that its duration be increased from 25 to 40 years. He finally circulated a redraft of the treaty as the Soviets proposed it.⁵⁵ In effect he virtually made it a peace treaty.

The Council adjourned to continue discussion of the treaty proposal tomorrow.

Department please pass to Vienna as 36, to Rome as 33, and to Paris as 135.

Repeated London as 154, Berlin as 265.

[MARSHALL]

740.00119 Council/4-1447

*Memorandum by Major General William H. Draper to the
Secretary of State*

SECRET

[Moscow,] April 15, 1947.

I have just discussed the various bi-zonal problems with General Robertson. Both he and Mr. Bevin are disturbed over criticism of the efficiency of the bi-zonal agencies, originating both in London and in

⁵⁴ For the text of the Soviet Draft Treaty on the Demilitarization of Germany, circulated to the Council as document CFM(47)(M)129, April 14, 1947, see *Documents on International Affairs 1947-1948*, pp. 445-449, or Molotov, *Problems of Foreign Policy*, pp. 601-608.

⁵⁵ For the text of Molotov's comments on the American draft treaty, see Molotov, *Problems of Foreign Policy*, pp. 434-442.

Berlin. The questions they wish to discuss with you here, and for which they had hoped General Clay would be present, include:

- 1) Concentration of bi-zonal agencies in one city.
- 2) Other means of improving the efficiency of these agencies.
- 3) Creation of a German advisory council.
- 4) A new bi-zonal level of industry.
- 5) List of reparations plants.
- 6) Allocation of these plants east and west.
- 7) Financial reform and printing of new currency.

I pointed out that most of these problems could be discussed and settled in Berlin better than in Moscow. General Robertson feels that certain of them should be decided while you and Mr. Bevin are in contact to avoid long delays while he later got decisions from London.

General Robertson will write a note outlining the points he considers essential for discussion here, discussion of which between you and Mr. Bevin may make unnecessary Mr. Bevin's hope that General Clay come to Moscow.

740.00119 Council/4-1547 : Telegram

The Secretary of State to the Acting Secretary of State

CONFIDENTIAL

Moscow, April 15, 1947—11 p. m.

URGENT

1388. Delsec 1428. For the President, Vandenberg, Connally and Acheson from Marshall. Twenty-ninth CFM, 15 April, Marshall presiding, resumed discussion of the four power treaty.⁵⁶ Bidault saw no great disagreement in views of four powers on demilitarization and disarmament as expressed yesterday, felt that Molotov's amendments on those items did not involve radical change of substance and suggested a special committee to study these items. On the other Soviet proposals, he stated they covered almost every point on which ministers had already disagreed. He saw no reason for trying to tie Soviet proposals in a four power treaty, and repeated his agreement in principle to United States proposal as made yesterday.⁵⁷

Marshall pointed out (complete text cabled Department⁵⁸) that the extraneous Soviet amendments would totally alter the scope and pur-

⁵⁶ This was a continuation of the discussion begun at the Council's previous meeting; see *ante*, p. 331.

⁵⁷ For the text of Bidault's statement summarized here, see *Déclarations de Bidault*, pp. 49-51.

⁵⁸ For the text of Secretary Marshall's statement, see Department of State *Bulletin*, April 27, 1947, pp. 741-742.

pose of the treaty and had no place in it. He understood French and British had agreed in principle, and asked whether Soviets were willing to refer the matter to plenipotentiaries for negotiation on basis the United States proposed.

Molotov said his amendments were designed purely to lend some measure of implementation procedures to the disarmament problem and to tie in all the related factors. He repeated most of the points he covered yesterday, dragged up both Crimea and Potsdam again, and stood fast on including his so-called amendments. Molotov proposed agreement in principle for some form of four-power treaty, a special committee to consider all drafts and amendments thus far or to be proposed, and a report to next session of CFM, the committee to consider Crimea and Potsdam as obligatory in their consideration of problem.⁵⁹

Bevin defended the American proposal for four-power treaty as the basis of negotiation and launched a general attack, applicable primarily to Soviets, on fact we have been here five weeks and accomplished little, and it is now proposed to refer all our points of disagreement to a special committee to report by next session. Bevin said let's do first things first and get a CFM agreement on this.

Marshall pointed out that Molotov's attempt to introduce all the disagreements of the past five weeks into discussions of the four powers meant in effect no four-power treaty. He said that Molotov's amendment for placing industry and resources under control of German central government would indeed create a nation that would menace the peace of the world. Such considerations, he continued, are for the peace settlement, and have no place in a simple treaty to keep Germany disarmed. If we cannot agree to the basic first step of keeping Germany disarmed and unable to wage war, Marshall said, we have indicated to the world a complete lack of unity of purpose in our approach to the German settlement. Marshall said he did not recognize any accusation against the United States to abrogate any portion of Potsdam. He stated that the failure of other signatories to act in accordance with Potsdam had forced US action to protect its taxpayers against paying reparations out of their own pockets. The Soviets, he pointed out, had clearly departed from Potsdam by their unfounded insistence that economic unity be conditioned by reparations from current produc-

⁵⁹ For the Molotov statement summarized here, see Molotov, *Problems of Foreign Policy*, pp. 443-447.

tion. This, he said was the basis and origin of most of our disagreements at CFM. To accede to Molotov's proposal for a special committee to consider all the proposals he had advanced would leave us in exactly this same position of disagreement at next session of CFM.

Molotov denied that Soviets were demanding reparations from current production as a condition to economic unity. He said we should have a four-power treaty on demilitarization and democratization to insure our security. He said the only purpose in Soviet amendments was to try to meet the allies half way to insure a lasting peace. He then went into a long perversion of our draft treaty which nullified his previous remarks.

Marshall quoted the Coordinating Committee report which said "the acceptance of reparations from current production is an absolute condition of the Soviet delegation's acceptance of the principle of the economic unity of Germany." He stated we happen to have a general agreement on disarmament alone, and considered the insistence upon extraneous and unrelated factors (largely of disagreements) in the four-power treaty a very serious stand for one government to take in the face of the entire world. "Since we have failed to reach agreement on the four-power treaty," Marshall said (as chairman), "I suggest we move to the next item."

The Council then discussed briefly the report of the experts on the production and allocation of German coal.⁶⁰ The discussion will continue tomorrow after which the draft Austrian treaty will be taken up.

Repeated London 158, Berlin 271, Paris 142.

Department please pass to Vienna as 38, Rome as 35.

[MARSHALL]

⁶⁰ The reference here is to the Preliminary Report of the Committee of Coal Experts on the Measures to Increase Coal Production and the Principles of Allocation of German Coal, September 6, 1946. This long report is not printed, but a summary of it is included in telegram 2120, September 10, 1946, from Berlin, *Foreign Relations*, 1946, vol. v, p. 791. The Committee of Coal Experts had been appointed by the Allied Control Council for Germany in August 1946 in pursuance of a decision by the Council of Foreign Ministers at its Paris Session, 42nd Meeting, July 12, 1946; see the United States Delegation Record and the Agreed Record of Decisions of that meeting, *Foreign Relations*, 1946, vol. II, pp. 918, 937. At its New York Session, November-December 1946, the Council of Foreign Ministers agreed to consider the Report of the Coal Experts at its forthcoming Moscow Session; see document CFM (46) (NY) 74, December 12, 1946, *ibid.*, p. 1557.

At this meeting of the Council, Secretary Marshall and Foreign Minister Bidault made statements with respect to the Report of the Committee of Coal Experts. For the text of Marshall's statement, see *Germany 1947-1949*, pp. 447-448, or Department of State *Bulletin*, April 27, 1947, p. 741. For Bidault's statement, see *Déclarations de Bidault*, pp. 52-53.

740.00119 Council/4-1547

*Memorandum of Conversation*⁶¹

TOP SECRET

[Moscow,] April 15, 1947.

Present: Secretary Marshall
 Ambassador Smith
 Mr. Bohlen
 Generalissimo Stalin
 Mr. Molotov
 Ambassador Novikov
 Mr. Pavlov

THE SECRETARY, after greeting Stalin, said that he had been very busy since he had been here, as Mr. Molotov could testify. He said he recalled with great interest their meeting at the Teheran Conference and their discussions concerning amphibious and cross-river operations.⁶²

STALIN interrupted to say, "Yes, the second front."

THE SECRETARY said he had anticipated more rapid progress through the CFM agenda, and that before this they would have reached the Austrian treaty which would have meant that the issues on Germany would have been clarified. He said that this was the reason for his delay in asking to see the Generalissimo, that he had not wanted to talk with him until he had some real subjects to discuss.

THE SECRETARY said he wished to tell Stalin that he was very concerned and somewhat depressed at the extent and depth of misunderstandings and differences which had been revealed at this conference. He said he intended to speak frankly with the Generalissimo, since that was the way he had been trained as a soldier and he was no diplomat. He had been out of the United States for more than a year, in China, but he had kept in touch with American public opinion and since his return in January he had had an opportunity to study the state of mind of the American people. He could say, therefore, that there had been a serious and steady deterioration in public

⁶¹ The conversation took place at the Kremlin, April 15, 1947, 10 p.m. to 11:30 p.m. This memorandum, and an early draft of it, filed separately under 711.61/4-1547, were presumably prepared by Mr. Bohlen. It was transmitted to Acting Secretary of State Acheson in telegram 1405, Kosmos 46, April 16, 1947, from Moscow, with the request that it be delivered to President Truman (711.61/4-1647). Additional details regarding the circumstances of this conversation are provided in the account in Walter Bedell Smith, *My Three Years in Moscow*, pp. 210-212.

⁶² For documentation on the American-British-Soviet Conference at Tehran, November 27-December 2, 1943, see *Foreign Relations*, The Conferences at Cairo and Tehran, 1943, pp. 459 ff.

regard toward the Soviet Union. This deterioration, he felt was one of the reasons of their difficulties and affected everything they did, not only at this conference, but in the future. At the end of the war no country had enjoyed such public esteem and even admiration in the United States, as the Soviet Union, because of what it had done in the war. Criticism could at that time be heard against Great Britain and against France, but that there was nothing but admiration for the Soviet Union. During the war there had been misunderstandings between the United States and the Soviet Union, but he was sure that history would show that these misunderstandings had been unjustified and that in general the cooperation during the war had been sound; at least that was his impression as Chief of Staff of the United States Army.

STALIN said that was correct and it had likewise been their impression. The war had brought them closer together and this was the reason why they had defeated a very powerful enemy.

THE SECRETARY continued that he had been deeply interested in a statement made by Mr. Molotov during the discussion of the lend lease question with General Smith.⁶³ Mr. Molotov was reported to have said that in the past few weeks there had been instances of an unfriendly attitude in the United States toward the Soviet Union and implied that this was one of the reasons for the delay in the lend lease question. The Secretary said he wished to state frankly that in his opinion the exact opposite was true. It was unfortunate that at the present time public opinion in the United States had come to lose its regard for the Soviet Union, largely if not entirely due, he thought, to the numerous acts on the part of the Soviet Union, or the failure of the Soviet Government to act. These matters had perhaps in themselves been relatively unimportant, but the sum total had created a most unfortunate impression, particularly among the section of the public who were informed on such matters. He said, for example, many communications had been sent to the Soviet Government with no answer being received and that this was a most unusual practice indulged in by only the Soviet Government and could not be regarded as a friendly or courteous attitude. General Smith had informed him that he had sent many communications concerning the establishment of an additional consulate in the Soviet Union, to which no reply had been received.⁶⁴ The people of the United States simply could not understand such behavior. He said it was his opinion that these practices of the Soviet Government had resulted in the loss of a great deal of good will towards the Soviet

⁶³ For documentation on the unsuccessful efforts of the United States to negotiate a lend lease settlement agreement with the Soviet Union during this year, see volume IV.

⁶⁴ Documentation on the exchanges under reference here is included in volume IV.

Union which he felt was unfortunate in view of the very great importance of Soviet-American relations.

As to lend lease, Mr. Marshall stated that the delay in reaching a settlement had a very bad effect on the United States Congress and on public opinion. The lend-lease arrangement with the Soviet Union had been the most generous of all and the United States was not asking for the return of payment for any war material, but was only seeking negotiations in respect of non-military material. We could not understand why the Soviet Union alone among our Allies had delayed a settlement. As to the merchant ships and others (since he understood there were some 40 war vessels) the law requires the return of these ships at the end of the war and that this requirement had been plainly stated to the Soviet Union. It was necessary for the United States Government to render an accounting of these vessels. Great Britain, for example, had concluded charters for all such ships and he understood they were paying the United States four million dollars a year for these charters, the payment for which had begun the day the war ended. He said the point he was trying to make was that all these practices unfortunately led to accusations and inevitable suspicion, so that as a result, when they came to the conference, everyone was so filled with suspicion and distrust as to make agreement virtually impossible.

In regard to the Conference, he wished to mention that Mr. Vyshinsky had told General Smith that we must understand that the U.S. attitude indicated that we intended to dismember Germany. He wished to assure Stalin that his Government did not have any such intention and, in fact, desired the exact opposite. The United States deeply desired economic unity. He was, however, seriously concerned at the idea of a centralized, and by that he meant dominant German Government which would control industry, education, finance and other matters. The United States felt that such a German government would constitute a real danger for the peace of the world. Mr. Marshall continued that Mr. Molotov had undoubtedly informed the Generalissimo of the lengthy discussions which they had had concerning the Potsdam Agreement and Mr. Molotov's statements that the United States and frequently Great Britain were departing from that agreement, while the Soviet Union was supporting it. Without going into the pros and cons of the matter, he wished to state that his opinion was exactly the opposite of that of Mr. Molotov, based on his understanding of a clear English text. He said this difference of opinion had already led them into a lengthy series of disputes, the most serious aspect of which he thought was that they were possibly giving rise to a situation where the German people might be able to profit from the dissension among the Allies. He repeated that the United States stood for a unified

Germany in an economic sense. The Secretary continued that for example, Mr. Molotov had charged that the British-American bi-zonal agreement was in violation of Potsdam. Mr. Marshall said he could not agree with this and felt that it was as plain as this table that the United States and Great Britain had been forced to take this action in defense of their own taxpayers, by reason of the failure to establish economic unity in Germany.

As to reparations, he must say that the statements which had been made on this subject had not contributed to an understanding. He had in mind the fact that he had reported to the Conference the amount of reparations which the United States had received from this zone,⁶⁵ which, as he recalled it, was between twenty and thirty million dollars, but Mr. Molotov had referred to ten billion dollars of reparations which the United States had received in the form of patents. He had submitted these figures in writing and signed them as Secretary of State of the United States and he expected such official statements to be believed and not disregarded. He added that so far no figures on reparations received had been submitted by the Soviet Government.

He said they had reached this afternoon an impasse on the demilitarization treaty and after today's meeting he had come to the conclusion that there was no desire here for such a treaty and would so inform the President. He stated that his government and he himself were entirely sincere in their desire to reach an agreement on the subject of economic unity and on a four-power treaty which would have a chance of practical and lasting execution and also to conclude an Austrian treaty so as to dispose of that question. He said that nothing could be farther from the thoughts of President Truman or himself than any desire or intention to deprive the Soviet Union of any of its legitimate rights. Reverting to the attitude of the United States toward the Soviet people, Marshall said that the United States had their form and concept of government and the Soviet Union another. There was no desire on the part of the United States to attempt to convert the Soviet people to our form of government. He said we are frankly determined to do what we can to assist those countries which are suffering from economic deterioration which, if unchecked, might lead to economic collapse and the consequent elimination of any chance of democratic survival. He said that it was our intention to help, insofar as we could, to restore the economy of such countries. The U.S. had no intention of dominating or trying to dominate any country in the world.

He said he would like to say a few words on China where, as the

⁶⁵ The reference here is presumably to the Statement by the United States Delegation on the reparations received by the United States, document CFM (47) (M) 63, March 25, 1947, the text of which is printed in *Germany 1947-1949*, pp. 372-373 or Department of State *Bulletin*, April 6, 1947, p. 609.

Generalissimo knows, he had spent over a year in a struggle between two concepts of government—one of which was the Communist and the other the National Government. He said the Communists were operating on a revolutionary basis with armed force and the National Government had many rotten elements in it. He said in the first months when he was there, the Communists had been more disposed to negotiation and compromise than the National Government and he felt that the first breakdown of the agreed truce was due more to the fault of the National Government than the Communist, but that subsequently events had gotten worse and both sides had committed impossible acts, until at last the United States had been forced to withdraw from any participation in this matter.⁶⁶

In conclusion the Secretary stated that it was his desire to rebuild the basis of cooperation which had existed during the war and that he had come to Generalissimo Stalin with that hope, feeling that if they cleared away some of the suspicion it would be a good beginning for the restoration of that understanding. He expressed his gratitude to Stalin for having allowed him to speak so long and so frankly.

STALIN said that Mr. Marshall was quite right, that only on the basis of frankness and sincerity could cooperation and friendship be developed. As to lend lease, he said that there was occasional sloppiness in the operation of the Soviet Government and that delays in replying to communications might arise from that. They were very busy here because they had suffered such great losses in the war and they were only learning every day how badly hurt they had been. This might be the reason for the delays. However, there was another side to the lend lease question, namely of credits which had been linked with lend lease. Two years ago Ambassador Harriman had asked them what credits they needed and what orders they were prepared to place in the United States. The Soviet Government had submitted a memorandum stating that they could use three to six billion dollars.⁶⁷ Two years had passed and no reply had been received and this possibly was due to sloppiness on the part of the United States Government. Concerning Germany, Stalin stated that whenever the Foreign Ministers met they must take into account the agreements entered into by the three governments. Mr. Marshall knew how those agreements had been made—they had not been done by a majority vote or leaving anyone in the minority, but had been by unanimous decision and were therefore solid agreements. The CFM had no authorization to repeal

⁶⁶ For documentation on the beginning of the Marshall Mission to China during 1945, see *Foreign Relations*, 1945, vol. VII, pp. 745 ff. Documentation on the 1946 phase of the Mission is included in *ibid.*, 1946, vols. IX and X.

⁶⁷ For documentation on the conclusion of wartime assistance from the United States to the Soviet Union, the consideration of the request for long-term postwar credits, and the explanations given in replies to the Soviet Union on this subject, see *Foreign Relations*, 1945, vol. V, pp. 937 ff.

these agreements and could not do so. The Council of Foreign Ministers could only adhere to the agreements reached by the three powers since they were subordinate to their governments. It is possible, Stalin continued, that some of the three-power agreements had outlived their usefulness and they did not wish to cling to outmoded agreements. Such agreements should be revised but this could only be done by the three or four powers. This was the point of departure of the Soviet Government. As to the German government, Stalin stated that they were against a strong centralized German government and they no less, and perhaps even more than anyone, did not wish to see Germany rise again as an aggressive power. He said there was a decision of the three powers to establish central economic departments and then to proceed with a provisional government. He inquired what is the German government if it is to be vested with less authority than the *Laender* government—that would not be a German government. The German government must be higher than the *Laender* government but not an over-centralized German government which would aspire to the creation of a greater Germany. But this German government should stand above and not below the *Laender* government. This, however, was the formal aspect of the question and there was another. He said he had no pity, sympathy or love for the Germans, he had no reason to have such sentiments any more than Mr. Marshall had. They had suffered too much from the Germans for any such sentiments to be conceivable. Why then was the Soviet Government against dismemberment? He said he feared that the splitting of the German people meant danger for future peace. They must not repeat the same mistakes as Napoleon, who set up scattered German governments. Napoleon achieved only a tactical advantage from a temporarily weakened Germany, but subsequently his action had resulted in placing in the hands of German militarists the idea of reuniting Germany. Napoleon's action in effect gave birth to Bismarck and the Franco-Prussian war, and all the other consequences. He said that he was afraid of losing control of the instrument of German unity and handing it over to the militarists and chauvinists—that would only result in the birth of another Bismarck. If our views on this subject, Stalin continued, cannot be reconciled, there was a way out: let the German people decide through a plebiscite what they wished. If the German people wished the *Laender* governments to have all powers as Bevin suggested, then there would be no objection from the Russian side since the Germans would have to bear the responsibility.

On the subject of German unity, Stalin said that he stood like the British and Americans for economic unity; but he did not think it was feasible without political unity and a German government. For economic unity there must be a government which could adopt a budget,

legislation and a tax system, otherwise it would not be possible to achieve economic unity. Without some government it would remain on paper.

STALIN said that as to reparations the Russians were being refused the right to reparations since that is what the present position of the Allies meant in fact. Reparations would be restricted to what had already been removed from Germany. For the Soviet Union this meant a total of barely two billion dollars, including assets in Eastern Europe and some reparations from current production. This was insignificant and much too small. He felt the Allies were not inclined to let them have reparations since in view of the proposed increase in the level of industry there were to be no more removals and were to be no reparations from current production. At Yalta when they had suggested ten billion dollars, all the Americans, including President Roosevelt, Stettinius and Hopkins, had said they thought it was very small.⁶⁸ Mr. Bohlen must remember those conversations. Now, Stalin continued, there was apparently a different point of view and that was to take no more reparations than had already been taken. This the Soviet Union could not accept. Their people had been told the figure of ten billion. Over 20 years this would not be hard for the Germans. The United States and England might be willing to give up reparations; the Soviet Union could not. Their people who had suffered more than any other people would not agree, and while reparations might not be popular in the United States and England, ten billion dollars of reparations were very popular in the Soviet Union.

At this point Stalin said he wished to make a factual correction in his statement on credits. Ambassador Smith had brought the answer to the question of credits so that instead of two years delay it had only been one.⁶⁹

AMBASSADOR SMITH said that this delay had frankly been due to the mislaying of the original Soviet communication which had caused a great deal of comment in the American press; that there had been no intention to delay a reply.

STALIN replied that he did not believe there was any such intention as such tactics were not characteristic of United States policy; that the same could be said about the Soviet delays on lend lease since such tactics were likewise not characteristic of Soviet policy.

Turning to the Conference, Stalin stated that he did not think the situation was so tragic, and he was more optimistic than Mr. Marshall. After all, these were only the first skirmishes and brushes of reconnais-

⁶⁸ See *Foreign Relations*, The Conferences at Malta and Yalta, 1945, index, p. 1005, section on "Germany—Reparations".

⁶⁹ Concerning Ambassador Smith's first interview with Stalin on April 4, 1946, and his report of the subjects discussed, see telegram 1053 from Moscow on April 5, *Foreign Relations*, 1946, vol. vi, p. 732.

sance forces on this question. Differences had occurred before on other questions, and as a rule after people had exhausted themselves in dispute they then recognized the necessity of compromise. It is possible that no great success would be achieved at this session, but that should not cause anyone to be desperate. He thought that compromises were possible on all the main questions including demilitarization, political structure of Germany, reparations and economic unity. It was necessary to have patience and not become depressed. This, he said, after all was an extremely important problem directly affecting many other important questions, and that this was the first time that the Council of Foreign Ministers had considered these matters. He said that in this connection he wished Mr. Marshall to be convinced that the Russians will be frank and open in their dealings and that they considered it impermissible to turn the problem of Germany into any sort of a game or in any way to play up to or flirt with the Germans.

THE SECRETARY said that he very much appreciated the frankness of Generalissimo Stalin's statement and he would consider it carefully. He was encouraged by his last words and he only hoped that Generalissimo Stalin was right.

STALIN assured the Secretary that his closing remarks were correct.

THE SECRETARY then took his leave of Generalissimo Stalin at 11:30.

CFM Files : Lot M-88 : Box 60

Record of Decisions of the Council of Foreign Ministers, Thirtieth Meeting, Moscow, Aviation Industry House, April 16, 1947, 4 p. m.

SECRET

CFM (47) (M) 30th Meeting

PRESENT

FRANCE

M. Bidault (Chairman)
General Catroux
M. Couve de Murville
M. Alphand
M. Paris

U.S.A.

Mr. Marshall
Mr. Smith
Mr. Cohen
Mr. Dulles
Mr. Murphy
General Clark
Mr. Bohlen

U.K.

Mr. Bevin
Sir Maurice Peterson
Sir William Strang
Lord Hood
Mr. Mack
General Robertson
General Winterton
Sir E. Hall-Patch

U.S.S.R.

M. Molotov
M. Vyshinski
M. Smirnov
M. Kiselev

I. REPORT OF THE COMMITTEE OF COAL EXPERTS

There was a further exchange of views.

II. TREATY FOR THE RE-ESTABLISHMENT OF AN INDEPENDENT AND DEMOCRATIC AUSTRIA. HEARING OF YUGOSLAV AND AUSTRIAN REPRESENTATIVES

It was *agreed*:

1. To hear the representatives of the Yugoslav Government on April 17 at 11 a.m. and the representatives of the Austrian Government on April 18 at 11 a.m. on matters relating to the Treaty with Austria.

2. That Austrian representatives will be present at the hearing of the representatives of the Yugoslav Government, and the Yugoslav representatives at the hearing of the Austrian representatives.

3. To instruct the General Secretariat to enquire of the Yugoslav and Austrian Delegations concerning what questions relating to the Treaty with Austria they desire to be heard.

III. TREATY FOR THE RE-ESTABLISHMENT OF AN INDEPENDENT AND DEMOCRATIC AUSTRIA (SECOND REPORT OF THE DEPUTIES, CFM/47/M/82—CFM/47/M/130)⁷⁰

Preamble

Paragraph 1.

Agreed, all reservations having been withdrawn.

Paragraph 2.

Agreed.

Paragraph 3.

The adoption of a decision was deferred, the U.K. and U.S. Delegations having withdrawn their own proposal and adhered to the proposal of the French Delegation.

Paragraphs 4, 5, 6, 7, 8, 9.

Agreed, all reservations having been withdrawn.

Article 1.

Agreed.

Article 2.

The adoption of a decision was deferred, the U.K. Delegation having withdrawn its alternative proposal on paragraph 2 of this Article.

Article 3.

Agreed.

⁷⁰ *Post*, p. 516.

Article 4.

Agreed. In paragraph 2 the phrase in the first brackets was agreed; the phrase in the second brackets was deleted; and the word "pan-German" was inserted before the word "propaganda".

Article 5.

Discussion was deferred until the representatives of the Yugoslav and Austrian Governments had been heard.

Article 6.

It was *agreed* to accept this article in the following form: Paragraphs 1, 2 and 3 of the French proposal and paragraph 4 of the U.K. and U.S. proposal; and to refer the whole text to the Drafting Committee.

Articles 7, 8 and 9.

Agreed.

Article 10.

The adoption of a decision was deferred.

Article 11.

It was *agreed* to refer this article to the Drafting Committee for harmonizing the texts of the proposal by the Soviet and French Delegations with that of the U.K. and U.S. Delegations.

Articles 12, 13, 14 and 15.

Agreed.

740.00119 Council/4-1647 : Telegram

The Secretary of State to the Acting Secretary of State

CONFIDENTIAL
URGENT

Moscow, April 16, 1947—11 p.m.

1410. Delsec 1432. For the President, Vandenberg, Connally and Acheson from Marshall. Thirtieth CFM meeting, April 16, Bidault presiding, continued discussion of the report of the coal experts of the four occupying powers.⁷¹ Although Marshall and Bevin stated yesterday that nothing more than taking note of the coal report could be done until economic unity was achieved in Germany, Molotov insisted today that the council act on the coal problem. He asked (1) that German coal production be raised to the pre-war level within two or three years; (2) that 20 to 25 percent of German coal production be exported, one-half of this for reparations; (3) that a special quadripartite

⁷¹ The discussion resumed here had begun at the previous meeting of the Council; see *ante*, p. 334.

agency under ACC be set up to control the production and allocation of German coal as well as a second quadripartite agency to control coal mined in the Ruhr.⁷²

Bevin restated his opposition to acting on the coal problem prior to real agreement on economic unity; flatly rejected using coal for reparation payments and promised that the British would do their best to continue increasing coal production in their zone.

Marshall also rejected Molotov's suggestions. He restated his opposition to quadripartite allocation of coal until German resources in all zones are allocated on a quadripartite basis, adding that the solution of this problem depended on obtaining economic unity.

Bidault said he had nothing to add to his statement of yesterday in which he proposed (1) that the Saar be included in the economic sphere of France, (2) that the distribution of Ruhr coal be assured by an international agency, and (3) that the present method of coal allocation in Germany be modified.

The council then began the discussion of the draft treaty for Austria.⁷³ It was agreed to hear the views of representatives of Yugoslavia and Austria at special morning meetings beginning tomorrow.

The council agreed that the treaty would be signed only by the US, UK, Soviet Union and France but certain other states may adhere to it. Differences arose over whether the preamble of the treaty should include the sentence "Austria cannot avoid certain responsibility arising from participation in the war". Molotov insisted Austria's war responsibility be noted.⁷⁴ Marshall suggested that the substitution of "responsibility" by the word "consequences" would reflect the fact that Austria was not a political entity after its annexation by Germany and therefore not responsible as a separate state during the war. Bidault preferred the word "responsibilities" and Marshall accepted this change after pointing out that war guilt clauses are easy to write but, as history shows, they poison the atmosphere. Bevin also agreed but Molotov would not and the clause was left in suspense.

The council approved the first clause of the treaty, stating that the Allied and associated powers recognize that Austria is re-established as a sovereign, independent and democratic state. The second clause, which is a pledge by the Allied and associated powers to respect the independence and territorial integrity of Austria, was supported by

⁷² For a more detailed record of Molotov's statement on German coal production, see Molotov, *Speeches and Statements at Moscow*, pp. 99-100.

⁷³ Document CFM (47) (M) 82, March 29, 1947, p. 516.

⁷⁴ Molotov's statements at this meeting regarding the draft Austrian peace treaty are summarized and quoted in Molotov, *Speeches and Statements at Moscow*, pp. 100-101.

Marshall and Bidault but opposed by Molotov who suggested it be passed over for further study.

During a discussion of the clause prohibiting an *anschluss* between Germany and Austria, Marshall said US does not want to impose onerous conditions on Austria which would prevent normal economic activity. He asked the other ministers to accept this understanding. Bevin and Bidault accepted but Molotov said he had no comment to make.

The clause establishing the frontiers of Austria as those existing on January 1, 1938 (which is accepted by the US, UK and France) was passed over until the Yugoslav delegation presents its territorial claims against Austria which are supported by the Soviet Union.

The council adjourned after having discussed the preamble and 15 of the draft treaty's 50 clauses.

Dept please pass to Vienna as 39, to Rome as 36, and to Paris as 143. Sent Dept as 1410, repeated London 159, Berlin 277.

[MARSHALL]

740.00119 Council/4-1747 : Telegram

The Secretary of State to the Acting Secretary of State

CONFIDENTIAL
URGENT

Moscow, April 17, 1947—5 p.m.

1420. Delsec 1433. For the President, Vandenberg, Connally and Acheson from Marshall. Thirty-first CFM meeting 11 a.m. April 17, Bevin presiding, heard representatives of the Yugoslav Government present their views on the draft Austrian treaty.

Edward Kardelj, deputy of the President of the Yugoslav Council of Ministers, stressed the assistance given by Austrians to Hitler during the war and sought to convince the Council that it should transfer Carinthia from Austria to Yugoslavia on economic, ethnic and strategic grounds. He said he would submit written proposals concerning the other problems which should be dealt with in the Austrian treaty, including the surrender of war criminals, displaced persons, the prohibition of Nazi propaganda and the creation of a demilitarized zone in Austria along the Yugoslav frontier.⁷⁵

Stanoje Simić, Yugoslav Foreign Minister, presented his government's views in the economic articles of the draft treaty. He repeated Yugoslavia's claim for \$150,000,000 in reparations from Austria and insisted on the restitution of all objects removed from Yugoslavia which are now in Austria.⁷⁶

⁷⁵ The text of Kardelj's statement was circulated to the Council as document CFM (47) (M) 139, not printed.

⁷⁶ The text of Simić's statement was circulated to the Council as document CFM (47) (M) 140, not printed.

Austrian representatives will be heard at the morning CFM meeting tomorrow.

Repeated London 161, Berlin 28.

Dept please pass to Vienna as 40, Rome as 37 and to Paris as 146.

[MARSHALL]

CFM Files : Lot M-88 : Box 60

Record of Decisions of the Council of Foreign Ministers, Thirty-Second Meeting, Moscow, Aviation Industry House, April 17, 1947, 4 p.m.

SECRET

CFM (47) (M) 32nd Meeting

PRESENT

U.S.S.R.

M. Molotov (Chairman)
M. Vyshinski
M. Smirnov
M. Kiselev

U.K.

Mr. Bevin
Sir Maurice Peterson
Lord Hood
Mr. Mack
General Winterton
Sir E. Hall-Patch

U.S.A.

Mr. Marshall
Mr. Smith
Mr. Cohen
Mr. Dulles
General Clark
Mr. Bohlen

FRANCE

M. Bidault
M. Couve de Murville
M. Alphand
M. Paris
General Perruche

TREATY FOR THE RE-ESTABLISHMENT OF AN INDEPENDENT AND DEMOCRATIC AUSTRIA (SECOND REPORT OF THE DEPUTIES—CFM/47/M/82. CFM/47/M/130)⁷⁷

Article 16.

After an exchange of views a decision was *postponed*.

Article 16-bis.

After an exchange of views it was *agreed* to refer this Article back for further consideration by the Deputies, in the light of the statements which had been made.

Article 17, paragraph 1 and paragraph 2.

Agreed.

⁷⁷ *Post*, p. 516.

Article 17, paragraph 3.

After an exchange of views a decision was *postponed*.

Article 18.

Agreed.

It was *decided* to refer paragraph 4 to the Drafting Committee, solely for making its wording more explicit.

Article 19.

Agreed.

Article 20.

Deleted.

Article 21.

Agreed.

Articles 22 and 23.

It was *agreed* to make these two Articles Annexes to Article 27. Discussion was *postponed*.

Article 24.

It was *agreed* to delete from this Article the portion relating to the prohibition of the construction of new fortifications and installations. The rest was *agreed* and referred to the Committee of Military Experts for final drafting.

Article 25.

Agreed.

Article 26, paragraph 1.

It was *agreed* to postpone discussion until the adoption of a decision on Article 27.

Article 26, paragraph 2, paragraph 3 and paragraph 5.

Agreed.

Article 26, paragraph 4.

After an exchange of views a decision was *postponed*.

Article 27, paragraph 1.

Agreed.

Article 27, paragraph 2 and paragraph 3.

After an exchange of views a decision was *postponed*.

Article 28.

Agreed.

Article 29.

It was *agreed* to make this Article an Annex to Article 27. Discussion was *postponed*.

Articles 30 and 31.

Agreed.

Article 32.

Deleted.

Article 33.

It was *agreed* to transmit this Article for consideration by the Deputies.

740.00119 Council/4-1747 : Telegram

The Secretary of State to the Acting Secretary of State

TOP SECRET

Moscow, April 17, 1947—11 p.m.

1425. Kosmos 48. Top Secret Eyes Only Acheson from Marshall. Please personally deliver following to the President :

“DEAR MR. PRESIDENT: We are now about midway in Austrian treaty discussion. While a number of disagreements have been passed over the impression I have at the moment is that the prospects are not so black as they previously appeared. Most of the disputed points, in fact all of them so far can, I think, be resolved in a final going over unless there is a determination not to have an Austrian settlement at this time. The most critical issue, German assets in Soviet Zone, comes up tomorrow or next day. The action on it will in my opinion be determining.

We are meeting twice a day now and the Yugoslavs and Austrians are being given a hearing. The latter tomorrow morning.⁷⁸

I am not certain that the Soviets may not compromise sufficiently to make possible a Four Power pact, though I feel certain they do not desire such a pact and tried to kill it with amendments including every important disputed issue.

I think Bidault is very anxious to get back to the critical political situation in France and I think Bevin also anxious for much the same reason. Therefore I am being silent on any indication of feeling that the conference must close out with so little progress to its credit.

I think we are now seeing some results of my interview with Stalin.⁷⁹

In that connection I do hope no leak on that interview will occur as I think I will profit much more if our discussion, particularly my frank statements, do not appear to stir up all sorts of talk which will merely stiffen his backbone in resentment. Later on we might find it desirable to release his statement, but I doubt it.

The package you gave me proved to be all you represented it to be and has contributed materially to my conference efforts. Signed Marshall.”

[MARSHALL]

⁷⁸ See the summary report on the Council's 33rd Meeting, telegram 1447, Delsec 1438, April 18, from Moscow, p. 353.

⁷⁹ For the memorandum of Marshall's meeting with Stalin on April 15, see p. 337.

740.00119 Council/4-1747: Telegram

The Secretary of State to the Acting Secretary of State

CONFIDENTIAL

Moscow, April 17, 1947—11 p.m.

URGENT

1426. Delsec 1435. For the President, Vandenberg, Connally and Acheson from Marshall. Thirty-second CFM meeting April 17,⁸⁰ Molotov presiding, resumed discussion of the draft treaty for Austria.⁸¹

Speaking for the Soviet Union, Vyshinsky argued for the adoption of the Soviet draft clause which provides that Austria will complete the transfer of all displaced persons within six months and instructs Austria to enter into bi-lateral negotiations with its neighbors to settle this problem. Marshall said the Soviet draft was unacceptable because the US has consistently opposed the forced repatriation of DPs which would have to be resorted to if all DPs were removed from Austria within six months. Marshall and Bidault accepted a British draft clause under which Austria would apply to all its DPs the principles of the resolution adopted by the United Nations assembly in February 1946. Vyshinsky maintained that the UN resolution (which forbids forced repatriation of bona fide DPs and which was approved by the Assembly despite Soviet opposition) does not apply to Austria. Bevin, after stating that the Soviet proposal made a national problem out of what is an international problem growing out of the war, proposed a compromise clause which Vyshinsky promptly rejected and no agreement was reached.

Differences also arose over the transfer from Austria of persons of German origin. The Soviets asked that these transfers be completed within six months, while the US, UK and France would instruct Austria to cooperate with the Allied Control Council for Germany in solving this problem. Marshall pointed out that the Soviet proposal would require the return of these people despite the fact that ACC has not yet agreed that such people can be absorbed into Germany now. Bidault pointed out that France has opposed further transfers of persons into Germany. The question was sent to the deputies for the study of new Soviet amendments.

The Council agreed to limit Austria's army to 53,000 men and an air force of 90 aircraft with not more than 5,000 personnel.

An article prohibiting service in the Austrian armed forces of former members of Nazi and other organizations and an article prohibiting the military training of personnel not in the Austrian armed forces were approved in principle. Several clauses dealing with prohibitions on specified military activities were also approved.

Marshall stated that in attempting to prevent Austria from con-

⁸⁰ This meeting of the Council began at 4 p.m.

⁸¹ Document CFM (47) (M) 82, March 29, 1947, p. 516.

tributing to any revival of German aggression the Council should avoid imposing so many restrictions on Austria that its normal economic development would be hindered. He said the Council should not contribute to a situation in which Austrian weakness might be a contributing cause of another war. He pointed out that before the occupation period in Germany ended, the United Nations would have acted on the problem of disarmament thus obviating the inclusion in the Austrian treaty of detailed prohibitions and limitations on scientific research, stock piling, and manufacture of certain devices.

Bevin agreed, but Bidault insisted on detailed prohibitions as a guarantee against another surprise attack by a revived Germany. Vyshinsky also defended the list of limitations and no agreement reached.

The Council adjourned after completing discussion of all military clauses.

Repeated London 163 Berlin 283.

Department please pass to Vienna as 41, Rome as 38 and Paris as 148.

[MARSHALL]

740.00119 Council/4-1847 : Telegram

The Secretary of State to the Acting Secretary of State

CONFIDENTIAL

Moscow, April 18, 1947—10 p.m.

URGENT

1447. Delsec 1438. For the President, Vandenberg, Connally and Acheson from Marshall. Thirty-third CFM meeting, April 18, a.m., Marshall presiding, heard Austrian Foreign Minister Gruber present his government's views on the draft treaty for Austria.

Returning ethnic, geographic and economic arguments presented yesterday by the Yugoslavs, Gruber said that any alteration in Austria's present frontiers would be fatal to democracy in Austria. Pointing out that Austria was the first state to lose its independence as a result of Hitler's action, Gruber pleaded with the Council to end the occupation of his country as soon as possible and thus restore Austrian sovereignty.⁸²

The Council adjourned without further discussion of the clause fixing Austria's frontiers but will return to this clause later. This afternoon the Council will discuss the economic clauses of the Austrian treaty.

Repeated London 167, Berlin 296.

Department pass to Vienna as 47, Rome as 40 and Paris as 153.

[MARSHALL]

⁸² Gruber's statement was circulated to the Council as document CFM(47)(M)-142, not printed.

CFM Files : Lot M-88 : Box 60

Record of Decisions of the Council of Foreign Ministers, Thirty-Fourth Meeting, Moscow, Aviation Industry House, April 18, 1947, 4 p.m.

SECRET

CFM (47) (M) 34th Meeting

PRESENT

FRANCE

M. Bidault (Chairman)
M. Couve de Murville
M. Alphand
M. Paris
General Perruche

U.S.A.

Mr. Marshall
Mr. Smith
Mr. Cohen
Mr. Dulles
General Clark
Mr. Bohlen

U.K.

Mr. Bevin
Sir Maurice Peterson
Lord Hood
Mr. Mack
General Winterton
Sir E. Hall-Patch

U.S.S.R.

M. Molotov
M. Vyshinski
M. Smirnov
General Kurasov
M. Kiselev

TREATY FOR THE RE-ESTABLISHMENT OF AN INDEPENDENT AND DEMOCRATIC AUSTRIA (SECOND REPORT OF THE DEPUTIES—CFM/47/M/82, CFM/47/M/130)⁸³

Article 34.

Discussion *postponed*.

Article 35

After an exchange of views a decision was *postponed*.

Article 36, paragraphs 1, 2, 3, 4, 5 and 7.

Agreed. The U.S. Delegation withdrew its reservation concerning paragraph 3.

Article 36, paragraphs 8 and 9

After an exchange of views it was *agreed* to refer those paragraphs back for consideration by the Deputies.

Article 36, paragraph 6, and Article 36-bis

It was *agreed* to refer back paragraph 6 of Article 36, together with Article 36-*bis*, for consideration by the Deputies.

Article 37

Deleted.

⁸³ See *post*, p. 516.

Article 38

After an exchange of views a decision was *postponed*. The U.K. Delegation withdrew its proposal concerning paragraph 3 and accepted the U.S. and French proposal.

740.00119 Council/4-1847 : Telegram

The Secretary of State to the Acting Secretary of State

CONFIDENTIAL

Moscow, April 18, 1947—10 p.m.

URGENT

1445. Delsec 1440. For the President, Vandenberg, Connally and Acheson from Marshall. Thirty-fourth CFM meeting, April 18, p.m., Bidault presiding discussed German assets in Austria.⁸⁴ Marshall pointed out that agreement on the Austrian treaty depends upon agreement on the German assets question. He asked the Council to make a determined effort to find some middle ground upon which to settle the controversy over this vitally important article in the treaty. He introduced a new US proposal⁸⁵ which reaffirms the Potsdam commitment giving the USSR German assets in eastern Austria; defines these assets; seeks to avoid controversy over whether title of these assets has or has not passed to the USSR by agreeing to authorize Austria to transfer immediately all assets included under the new definition; stated that the properties will be subject to Austrian law but prohibits Austria from nationalizing any of these properties during a period to be fixed. Disputes as to the application of this clause would be arbitrated under the terms of the general arbitration clause of the treaty rather than by a special agency.

Bidault accepted most of the US proposals but suggested several additions.

Molotov said that Soviet delegation was studying US proposal because the differences in points of view needed to be overcome. He then proceeded to disagree with almost every paragraph of the proposal. He said the Soviet definition on assets is preferable to the US one which is too limited. He added that a special procedure for arbitrating disputes over assets is essential. He repeated one time more the usual Soviet arguments.

Bevin agreed with Marshall's statement that the important task of the Council is to define these assets. He said the Soviet definition gave

⁸⁴ Under discussion at this point was article 35 of the draft treaty for Austria, CFM (47) (M) 82, March 29, 1947, p. 516.

⁸⁵ The proposal under reference here was circulated to the Council as document CFM (47) (M) 141, April 18, 1947, not printed.

a much wider interpretation to the term than was intended at Potsdam.

Marshall said his proposal was offered in the hope of reaching a reasonable compromise but that after hearing Molotov it appeared "we are further apart than ever". He said the clauses proposed by Molotov would make of Austria a mere puppet of those foreign states owning German assets in Austria. He said such clauses were not contained in any of the satellite treaties and that the US could not accept any Austrian treaty which contained them.

Molotov replied that only a small part of the Austrian economy would be affected by the transfers and thus the transfers would not affect Austria's economic independence. He said the transferred properties would be subject to Austrian law but repeated that the output of the transferred properties could not be controlled by the Austrian Govt.

Bevin contradicted Molotov and said a very large part of the Austrian economy would be affected. He said he did not see how Austria could ever achieve a balanced economy if the Soviet clauses were adopted. Marshall also disagreed with Molotov's statement and cited estimates to prove that the transfers would affect a major part of the Austrian economy. Since no agreement was reached, the Council began discussing the draft article covering the restitution of property removed from the territory of any of the United Nations.⁸⁶ The article was referred to the deputies when agreement was not reached. Two additional economic clauses were discussed and although parts of each were accepted, full agreement was reached on none. Marshall proposed that in view of the hour and the "state of our minds" the Council adjourn. It was agreed to hold two meetings tomorrow to continue work on the Austrian treaty.

Department please pass to Vienna as 44, Rome as 39, and Paris as 152.

Repeated London 166, Berlin 290.

[MARSHALL]

740.00119 Council/4-1947 : Telegram

The Secretary of State to the Acting Secretary of State

SECRET

Moscow, April 19, 1947—7 p.m.

URGENT

1469. Delsec 1445. For Acheson from Marshall. Bevin yesterday discussed with me various questions relating to US-UK bizonal arrangements in Germany and British proposal to raise the level of industry of a bizonal basis with view to resuming and completing reparation deliveries as soon as possible. Immediately following telegram⁸⁷ is an

⁸⁶ Article 36 of the draft treaty for Austria.

⁸⁷ *Infra*.

approved joint memorandum of our conversation. Note that Clay and Robertson will discuss bizonal problems further in Berlin and recommend jointly to Bevin and me.

Regarding level of industry, Bevin proposed immediate announcement of US-UK agreement to raise level of industry based on ten million tons steel production, to be followed by allocation of plants available for reparation on basis of Potsdam division. I suggested we postpone any announcement for six weeks or so and that we reserve decision on steel figure pending study in Berlin.

In my judgment necessary to resume reparation deliveries soon if IARA countries are to receive reparations and Germans are to know where they stand. But note second sentence of paragraph two of memo for timing in this matter. Do not believe it desirable politically to resume reparation deliveries except on basis of Potsdam division with four power allocation in ACC and deliveries to Soviet Union.

Repeated Berlin for Clay, as 302.

[MARSHALL]

740.00119 Council/4-1947: Telegram

The Secretary of State to the Acting Secretary of State

SECRET

Moscow, April 19, 1947—7 p.m.

URGENT

1470. Delsec 1446. For Acheson from Marshall. There follows memorandum of conversation between Mr. Bevin and Secretary Marshall attended by General Robertson (British) and General Draper on 18 April.⁸⁸

“Four points were discussed and commented on as follows:

1. Mr. Bevin suggested 10,000,000 tons of steel production for all of Germany as a basis for level-of-industry study for the bi-zonal area. It was agreed that the bi-zonal authorities should study for two or three weeks and should agree on a steel figure. General Marshall hoped the result would come out close to 10,000,000 tons. Mr. Bevin indicated agreement if it should be bracketed between ten and twelve which were the Russian brackets.

2. Concerning plants made available for reparations by the new bi-zonal level-of-industry, it was both Mr. Bevin's and General Marshall's view that these plants should be allocated on a quadripartite basis and should be delivered to IARA countries and to the USSR. In this connection it was General Marshall's belief that no announcement should be made for six weeks or so in order to avoid the implication that we had been insincere in our efforts in Moscow to agree on economic unity.

3. Mr. Bevin suggested taking the agreed division of powers between a future central government and the laender as the general basis in working out the bi-zonal arrangements. In this case this division

⁸⁸ For the memorandum prepared by Mason and Draper for Marshall on April 17 in preparation for the meeting with Bevin, see p. 483.

would apply as between the *laender* on the one hand and the central agencies and Military Government on the other. General Marshall felt that the language suggested might be interpreted as a decision to set up immediately a provisional government for western Germany and that this implication should be avoided. Mr. Bevin agreed with this. General Marshall felt, however, that every effort must be made to assure the success of the bi-zonal arrangements. He believed, as General Robertson phrased it, that we should walk within the framework generally of what we had agreed for the future. General Marshall suggested asking General Clay to come to Moscow immediately but Mr. Bevin and General Robertson felt that the conference was so near to a close that this might not prove practicable, and it was agreed that, as General Robertson intended, he should go to Berlin tomorrow for general discussion of the whole matter in order that they might make joint recommendations including specific language in connection with the last point mentioned.

4. Mr. Bevin suggested, and General Marshall agreed, that the bi-zonal agencies should be concentrated as soon as the accommodations could be arranged, but General Marshall suggested again that no announcement be made immediately to avoid unfavorable reaction. He agreed, of course, to the necessary investigations."

Repeated Berlin for Clay 301.

[MARSHALL]

CFM Files : Lot M-88 : Box 60

Record of Decisions of the Council of Foreign Ministers, Thirty-Fifth Meeting, Moscow, Aviation Industry House, April 19, 1947, 11:30 a.m.

SECRET

CFM (47) (M) 35th Meeting

PRESENT

U.K.

Mr. Bevin (Chairman)
Sir Maurice Peterson
Lord Hood
Mr. Mack
General Winterton
Sir E. Hall-Patch

FRANCE

M. Bidault
M. Couve de Murville
M. Alphand
M. Paris
General Perruche

U.S.S.R.

M. Molotov
M. Vyshinski
M. Smirnov
General Kurasov
M. Kiselev

U.S.A.

Mr. Marshall
Mr. Smith
Mr. Cohen
General Clark
Mr. Bohlen

TREATY FOR THE RE-ESTABLISHMENT OF AN INDEPENDENT AND DEMOCRATIC AUSTRIA (SECOND REPORT OF THE DEPUTIES—CFM/47/M/82, CFM/47/M/130)⁸⁹

Article 39, paragraphs 1, 2, 3 and 5

Agreed. The U.S. Delegation withdrew its proposal in paragraph 1 (e).

Article 39, paragraph 4

Referred back for consideration by the Deputies.

Article 39, paragraph 6

The U.S. Delegation reserved its position until adoption of a decision on Article 35.

Article 40

Combined with Article 38.

Article 41

After an exchange of views a decision was *postponed*.

Article 42, paragraphs 1, 2 and 3

After an exchange of views a decision was *postponed*.

Article 42, paragraph 4, sub-paragraphs (a), (b) and (c)

After an exchange of views a decision was *postponed*. The Delegation of France withdrew its proposal (No. 10) and adopted the U.K. proposal (No. 12); the U.S. Delegation also adopted this proposal, reserving its position in regard to Article 44.

Article 42, paragraph 4, sub-paragraph (d)

Agreed. The Soviet Delegation withdrew its addendum.

Article 42, paragraphs 5, 6 and 7.

Agreed. The Soviet Delegation withdrew its addenda concerning paragraph 6.

Article 42, paragraph 8

Referred to the Drafting Committee.

Article 42, paragraph 9.

Postponed.

Article 42, paragraph 10

Agreed.

⁸⁹ See *post*, p. 516.

740.00119 Council/4-1947: Telegram

The Secretary of State to the Acting Secretary of State

CONFIDENTIAL

Moscow, April 19, 1947—7 p.m.

URGENT

1472. Delsec 1443. For the President, Vandenberg, Connally and Acheson from Marshall. 35th CFM meeting, April 19, a.m., Bevin presiding, resumed the discussion of the draft treaty for Austria. Agreement was reached on parts of several articles dealing with economic questions, including the renunciation by Austria of claims against the Allies.⁹⁰ Molotov prevented agreement on a clause stating that the Allies would support in the German peace treaty a provision waiving German claims against Austria. He said discussion of this question was premature.

Some progress made on the clause dealing with United Nations property in Austria but final agreement was not reached. Molotov requested additional time to allow the USSR to make new proposals on several paragraphs of this clause. An important unagreed paragraph defines the extent to which Austria will pay compensation for war damage done to United Nations property in Austria. In an attempt to reach agreement on this paragraph, Marshall supported the UK-French position but Molotov maintained his position. The Council adjourned after agreeing to discuss Austria's frontiers at this afternoon's meeting.

Department please pass to Vienna as 48, Rome as 41, and Paris as 157.

Repeated London 170, Berlin 300.

[MARSHALL]

CFM Files: Lot M-88: Box 60

Record of Decisions of the Council of Foreign Ministers, Thirty-Sixth Meeting, Moscow, Aviation Industry House, April 19, 1947, 5 p.m.

SECRET

CFM (47) (M) 36th Meeting

⁹⁰ For the specific articles under discussion by the Council and the decisions made, see the Record of Decisions of this Council meeting, *supra*.

PRESENT

U.S.S.R.

M. Molotov (Chairman)
 M. Vyshinski
 M. Smirnov
 General Kurasov
 M. Kiselev

U.K.

Mr. Bevin
 Sir Maurice Peterson
 Lord Hood
 Mr. Mack
 General Winterton
 Sir E. Hall-Patch

U.S.A.

Mr. Marshall
 Mr. Smith
 Mr. Cohen
 Mr. Dulles
 General Clark
 Mr. Bohlen

FRANCE

M. Bidault
 M. Couve de Murville
 M. Alphand
 M. Paris
 General Perruche

TREATY FOR THE RE-ESTABLISHMENT OF AN INDEPENDENT AND DEMOCRATIC AUSTRIA (SECOND REPORT OF THE DEPUTIES—CFM/47/M/82 AND CFM/47/M/130)⁹¹

Article 5

After an exchange of views it was *agreed* to refer this Article back to the Deputies along with a proposal of the Yugoslav Government (CFM/D/47/G/73⁹² and CFM/47/M/139⁹³) for a report by Monday, April 21, 1947.

Article 34

After an exchange of views a decision was *postponed*.

Article 43

A decision was *postponed* until the adoption of a decision on Article 35.

⁹¹ See *post*, p. 516.

⁹² The document under reference, not printed, was a memorandum by the Yugoslav Delegation to the London meetings of the Deputies for Austria. Circulated to the Deputies on February 18, 1947, it set forth the Yugoslav Delegation's comments on the Austrian Government's views regarding Yugoslav territorial claims against Austria.

⁹³ Not printed; it was the text of Yugoslav Deputy Prime Minister Kardelj's statement at the Council's 31st Meeting, April 17; see telegram 1420, Delsec 1433, April 17, from Moscow, p. 348.

Article 44, paragraph 1

A decision was *postponed* until the adoption of a decision on Article 42.

Article 44, paragraph 2

Agreed with the following correction: replace the words—"in consultation with the Austrian Government" by the words "in agreement with the Austrian Government".

Article 45

Referred back for consideration by the Deputies.

Article 46

Combined with Article 38.

Article 47

Deleted.

Article 48, paragraph 1

Postponed.

Article 48, paragraph 2

Decision was *postponed* until after consideration of a new French proposal.

Article 48, paragraph 3

Agreed, the U.S.S.R. Delegation having withdrawn its proposal.

Article 48, paragraphs 4 and 5

Agreed.

Article 48-bis

A decision was *postponed*.

Article 49

Agreed, the U.S. Delegation having withdrawn its proposal on paragraph 3.

Article 49-bis

Referred back for consideration by the Deputies.

740.00119 Council/4-1947: Telegram

The Secretary of State to the Acting Secretary of State

CONFIDENTIAL

Moscow, April 19, 1947—midnight.

URGENT

1480. Delsec 1451. For the President, Vandenberg, Connally and Acheson from Marshall. Thirty-sixth CFM meeting, April 19, p.m.,⁹⁴

⁹⁴ For the articles of the draft treaty for Austria discussed at this meeting and the decisions taken thereon by the Council, see the Record of Decisions, *supra*.

Molotov presiding, opened with a discussion of the draft clause fixing Austria's frontiers as those existing on January 1, 1938. Marshall said the US could not accept Yugoslav territorial claims to Carinthia because (1) the 1920 plebiscite which fixed the frontier in this area is generally conceded to have been fair, (2) the loss of Carinthia would be a serious if not fatal economic loss to Austria, and (3) any weakening of Austria would have a harmful effect on the Council's efforts to stabilize Europe.⁹⁵

Bidault and Bevin also rejected the Yugoslav claims. Bidault suggested that experts work out some system for the joint use of the water power developed in the frontier area. Bevin agreed but did not want to delay the fixing the frontiers for this reason.

After defending the Yugoslav claims, Molotov asked that the Deputies consider them and report back to the Council. Marshall pointed out that the Deputies had been unable to agree on this question and that although he believed the question would have to be settled at the Council table, he would not oppose sending it to the Deputies again. Regarding the economic question, he said the US had already stated its support of the supervision by the economic commission for Europe of bilateral arrangements on frontier problems. He said the US favored all attempts to reduce economic difficulties which arose when boundaries are used as barriers. The Council agreed to refer the Yugoslav claims to the Deputies who will report to the Council Monday afternoon.

The Council then discussed whether Austria should pay reparations. Marshall recalled the Potsdam commitment not to take reparations from Austria, adding that Austria was in no condition economically to pay reparations. Bidault agreed but proposed that Yugoslavia be allowed to keep all Austrian property in its territory in satisfaction of the Yugoslav reparation claim. Although Molotov agreed that the US, UK and USSR had renounced reparations from Austria at the Potsdam conference and that France had later accepted this decision, he maintained that this renunciation applied only to these four states. Yugoslavia or any other small state, he continued, can claim reparations from Austria because the four powers could not renounce the rights of smaller states. He said the Yugoslav claim is justified and cannot be ignored. Marshall said the US could not agree to the payment by Austria of reparations to Yugoslavia but was willing to refer Bidault's proposal to the Deputies along with the entire question of the disposition of Austrian property in the territory of the allied and associated powers. This proposal was accepted by the Council.

⁹⁵ Regarding the Yugoslav claims under discussion here, see the United States Delegation Working Paper, April 4, 1947, p. 573.

Agreement on the status of the Austrian Government's debts was delayed in part because the USSR was not ready to submit an amendment to this clause which it desired to present and in part because of its insistence on payment by Austria for all services and supplies delivered to Austria by the allied and associated powers between May 8, 1945 and the coming into effect of the present treaty. A clause covering Austria's general economic relations was approved.

The Council adjourned after agreeing to hold two meetings Sunday.

Department please pass to Vienna as 50, Rome as 42, and Paris as 161.

Sent Department as 1480, repeated London 174, Berlin 307.

[MARSHALL]

CFM Files : Lot M-88 : Box 60

Record of Decisions of the Council of Foreign Ministers, Thirty-Seventh Meeting, Moscow, Aviation Industry House, April 20, 1947, 11:30 a.m.

SECRET

CFM (47) (M) 37th Meeting

PRESENT

U.S.A.

Mr. Marshall (Chairman)
Mr. Smith
Mr. Cohen
Mr. Dulles
General Clark
Mr. Bohlen

U.S.S.R.

M. Molotov
M. Vyshinski
M. Smirnov
General Kurasov
M. Kiselev

FRANCE

M. Bidault
M. Couve de Murville
M. Alphand
M. Paris
General Perruche

U.K.

Mr. Bevin
Sir M. Peterson
Lord Hood
Mr. Mack
General Winterton
Sir E. Hall-Patch

I. TREATY FOR THE RE-ESTABLISHMENT OF AN INDEPENDENT AND DEMOCRATIC AUSTRIA (SECOND REPORT OF THE DEPUTIES) CFM/47/M/82, CFM/47/M/130⁹⁸

⁹⁸ *Post*, p. 516.

Article 50

Agreed, the list of Annexes having been supplemented by Annexes VIII and IX.

Article 51

Deferred

Article 52

Agreed

Article 52-bis

Agreed, the Soviet Delegation having withdrawn its objections.

Article 53

Agreed

Article 54

Agreed. The wording of the title was transmitted to the Drafting Committee.

Articles 55, 56, 57 and 58

Agreed

Article 59

Agreed. The words in brackets "and German" having been withdrawn, and the Soviet Delegation having withdrawn its proposal (No. 2) and its objection (No. 3).

Annexes I and II

Agreed

Annexes III, IV, V.

Deferred until the adoption of a decision on Article 27.

Annex VI

Deferred until the adoption of a decision on Article 16.

Annex VII

Deferred until the adoption of a decision on Article 35.

Annex VIII

Referred back for consideration by the Deputies.

Annexes IX and X

Agreed

Preamble, paragraph 3

Agreed. The proposal of the Soviet Delegation was accepted.

Article 2.

Deferred.

Article 6.

The text presented by the Drafting Committee was adopted.

Article 10.

Referred to the Drafting Committee.

Article 16.

Referred back for consideration by the Deputies.

Article 17, paragraph 3

Deferred.

Article 17.

It was agreed to include in this Article, Article 24 as adopted at the 32nd Meeting of the Council.⁹⁷

Article 18, paragraph 4

The text presented by the Drafting Committee was adopted.

Article 24.

Included in Article 17.

Article 39, paragraph 4

The new proposal of the Soviet Delegation was referred to the Drafting Committee.

Article 43, paragraphs 1 and 2

Referred back to the Deputies along with the new proposal of the French Delegation.

It was *agreed* to refer back for consideration by the Deputies all other unagreed articles and proposals except Articles 35 and 42.

II. AGENDA FOR THE NEXT MEETING

It was *agreed* to discuss at the next meeting the Report of the Trieste Commission of Inquiry.⁹⁸

740.00119 Council/4-2047 : Telegram

The Secretary of State to the Acting Secretary of State

CONFIDENTIAL

Moscow, April 20, 1947—6 p.m.

URGENT

1483. Delsec 1452. For the President, Vandenberg, Connally and Acheson from Marshall. Thirty-seventh CFM meeting April 20, Mar-

⁹⁷ See the Record of Decisions of this Council meeting, April 17, p. 349.

⁹⁸ The Report, document CFM (47) (M) 2, March 10, 1947, is not printed.

shall presiding, concluded the preliminary discussion of the draft treaty for Austria.⁹⁹ The Council approved: (1) the creation of a conciliation commission to settle disputes arising from the implementation of several of the clauses; (2) navigation on the Danube River free and open for the nationals, vessels of commerce, and goods of all states on a footing of equality; (3) authorization for the heads of diplomatic missions of the US, UK, USSR, and France in concert to deal with the Austrian Government for 18 months on the execution and interpretation of the treaty; (4) the procedure for the interpretation and ratification of the treaty as well as accession to it by other states. Of the ten annexes covering military, legal, and economic questions, eight were approved.

The Council then reviewed all unagreed articles. The preamble was approved after the UK, US, and French delegates accepted the Soviet clause stating that Austria cannot avoid certain "responsibility" arising from participation in the war. The 21 clauses on which there is as yet no agreement will be studied again by the Deputies for Austria and the drafting committee and a report submitted before 4 p.m. tomorrow.

The Council adjourned after deciding to consider the report of the Financial Commission on Trieste tomorrow morning and to seek again to reconcile all outstanding differences on the Austrian treaty in the afternoon.

Department please repeat to Vienna as 51, to Rome as 43, and to Paris as 162.

Sent Department as 1483, repeated London 175, Berlin 308.

[MARSHALL]

740.00119 Council/4-2047

*Memorandum of Conversation, by the Secretary of State*¹

SECRET

[Moscow,] April 20, 1947.

Present: M. Bidault
M. Alphand
French Interpreter
Secretary Marshall
Mr. Matthews

M. Bidault called this afternoon at his request. He said that he regretted to disturb me but certain problems which were of great importance to France have arisen which he wished to set out frankly. (He then produced a memorandum from which he read and which

⁹⁹ For the articles considered and the decisions thereon by the Council at this meeting, see the Record of Decisions, *supra*.

¹ The source text is not signed.

he said had been prepared for him by M. Alphand.) These concerned coal, credits and manpower. France is in a serious situation. She has left but \$700,000,000 to care for her needs of construction, and to pay for wheat, coal and other necessities. He wished to say first that France was grateful for all the United States had done during and since the war and would never forget it.

As to specific problems, first, he wished to mention the application which France had filed with the World Bank for a \$500 million loan. He realized that the Bank was an international institution. On the other hand, much of its funds and consequently much of the influence on its policies, were American. He therefore felt that he could properly speak to me as concerns American policy in the Bank. He knew that Mr. McCloy, the Bank President, was a good friend of his country. However, France had just received two disillusionments. First the total to be made available to France had been reduced from \$500,000,000, to \$250,000,000. Secondly, conditions were being attached to the loan which he felt were not acceptable to a sovereign country. These concerned a commitment that France would contract no further foreign loans, the role of the International Bank in the Payments Agreement, requirements of information on commercial policy, etc.²

The next question he wished to raise concerned manpower. To replace German prisoners returning to their homes France was seeking to recruit voluntary German labor. The difficulty concerned remittances by this labor to their dependents in Germany. France urgently needs her remaining dollars for purchases of a million tons of coal a month from the United States, for wheat, oil, copper and other necessities. If, in addition, German remittances must be made available in dollars or otherwise become an added burden on France's economy an impossible financial situation would result. It was not lack of will but lack of ability to bear this burden in dollars. France had agreed to return the prisoners partly at our request and partly because it was the moral thing to do. That labor, he realized, must be treated humanely. With this he was in full agreement but France could not bear the burden of added dollar commitments. There is soon to be a meeting between the Anglo-American fused zone and France on commercial negotiations. He, Bidault, had agreed to this meeting though the preceding government had opposed any negotiations with our Bizonal authorities. He thought these transfers of German remittances may be discussed at this meeting and he hoped that the American Commander will be given "liberal instructions". Otherwise both psychologically and financially France would be put in an impossible position.

He digressed to say that he knew that in the minds of some there are

² For additional documentation on the concern of the United States over the French political, economic and financial situation, see volume III.

uncertainties regarding France and French policy in the future. He felt that anyone that knew France could not doubt the ultimate choice where France would stand. The choice, however, should not be an imposed one. To the American question "Can we rely on France?", he said, the answer was "Yes". But France needed time and must avoid a civil war.

The other question he wished to raise concerned the Saar. He greatly appreciated the attitude of the American Delegation on this question and he assured me that the French people knew who were their friends on this. Naturally, the French Communists had been annoyed. That was of no great importance. However, in the light of the Moscow Conference things cannot continue to remain stationary. Positions have been taken at Moscow and such positions can greatly influence both M. Bidault and French policy in general. Without him and his friends there would be no French policy. France cannot wait longer to work out the Saar problems. The people of the Saar would not understand further delay and would think that the French had no influence with regard to the Saar. There must be some agreement on the question of the Saar frontiers. He wanted me to be the first to know that it would be necessary to change the Saar currency and to set up more definitive customs control. German marks are to be exchanged for Saar marks and since the population knows this will probably take place the Saar is beginning to be flooded with German marks. Hence the importance of early agreement on the Saar frontiers.

In conclusion, he said, he was very grateful to me for my understanding of the French position in discussions in the Conference. The facts he submitted were of great importance for his country and of capital importance to the equilibrium of the world. If he could obtain the kind of agreement with the United States he wished the "equilibrium of the world would be assured".

In reply I said that I would like to answer his specific questions. I would not indulge in the diplomatic refuge of saying that we would give "sympathetic consideration" to France's viewpoint. With regard to the World Bank loan, I was not sufficiently familiar with the facts to make any reply. I would, however, on my return, examine the question carefully and would speak personally to Mr. McCloy.

On the transfer of funds, I was likewise not familiar with all the implications of the financial transactions involved. I was, however, disposed to do my best to relieve the French Government of any harsh demands from American zonal control. I said that I had talked to General Clay and others concerning our general relationship to France and would talk again on the way home. I wanted him to know that there is every disposition by the United States to help the French Government in its present dilemmas. I said I must be careful in what

I say not to get into unfamiliar details but I am impelled and motivated by a desire to assist the French Government. I looked forward to having numerous conversations on my return to the United States with Ambassador Bonnet and would familiarize myself with the details of the questions he raised. I said that I had a general comprehension of the delicate political situation in France and take it into account in my reactions to the problems which arise. M. Bidault said that he realized this and was grateful for it.

I said that I knew the urgency of the Saar situation and that I would treat in confidence what he had told me with regard to the exchange of currency.

Passing to general questions, I said I was deeply concerned over the difficulties in the Conference both as to long-range treaty prospects and those of local importance pertaining to the next 6 months or a year.

I said that I realized there was a great difference in the viewpoint of Americans who were far distant from Europe and that of Frenchmen, or Russians for that matter, who have suffered terrible losses to their homes and lands in the war. I was fearful of the influences their horrible experiences would have upon the Allies. It might lead us to solutions which appeal to us for the present but might be fatal for the future. Reaction of Americans, if they had lived in France, I thought would have been identical with French reactions. The struggle in my mind on the Conference issues concerned the danger that we may now make commitments under the impact of present feelings which would not be logical for an enduring peace.

M. Bidault interrupted to say that he knew what I meant but that France needs time. It will take a little time before Germany can in fact be integrated into the Western World. He referred (as he had at the Conference table) to his personal visits to German prisoners at the time of the Paris insurrection just prior to liberation. He said, however, that there is no question that Germany is a part of Europe.

In conclusion, I said that I was deeply concerned over the situation of France and would give my earnest consideration to what he had said. I was sure that we could develop an understanding relationship between the two of us and, I believed, between our two governments.

M. Bidault again expressed thanks.

740.00119 Council/4-2147 : Telegram

The Secretary of State to the Acting Secretary of State

CONFIDENTIAL

Moscow, April 21, 1947—10 p.m.

URGENT

1489. Delsec 1454. For the President, Vandenberg, Connally and Acheson from Marshall. Thirty-eighth CFM meeting, April 21, Bi-

dault presiding, considered the report of the Four Power Commission appointed by the CFM in 1946 to study the financial arrangements for the Free Territory of Trieste created by the Italian Peace Treaty.³

Bevin proposed: (1) That the report be transmitted to the United Nations Security Council, along with the comment of the Italian and Yugoslav Governments and suggestions that any CFM member cared to make; (2) that the CFM members agree to assist the Free Territory to obtain adequate supplies of essential materials, equipment and ships which it requires; and (3) that the CFM recommend the acceptance by the Security Council of any request by the Governor of the Free Territory for external assistance up to \$5,000,000 in free exchange during 1947 in view of a possible exchange deficit during the first few months of the Territory's existence. Bevin pointed out that not only the US and France but also Italy and Yugoslavia agreed with the British that Trieste would need external assistance in the beginning in order to organize its finances and economy. He asked Molotov to agree.

Molotov refused to give a direct reply. He said the Commission's report could not be transmitted to the Security Council without an expression of the views of the CFM members and he would not state his position on the other UK proposals until they were considered further. He proposed that special deputies be appointed by the Council to report on Wednesday.⁴

Marshall opposed this suggestion as being a time-consuming procedure which was unjustified. Bevin and Bidault agreed. Molotov insisted he would not accept the British proposal without further study. The Council finally reached agreement on appointing special deputies⁵ who will report to the Council Tuesday⁶ afternoon.

Dept please pass to Vienna as 53, Rome as 46 and Paris as 165.

Repeated London as 177, Berlin as 313.

[MARSHALL]

CFM Files : Lot M-88 : Box 60

Record of Decisions of the Council of Foreign Ministers, Thirty-Ninth Meeting, Moscow, Aviation Industry House, April 21, 1947, 4 p. m.

SECRET

CFM (47) (M) 39th Meeting

³ Document CFM (47) (M) 2, March 10, 1947, not printed; regarding the Report, see footnote 28, p. 163.

⁴ For a full account of Molotov's statements on the financial position of Trieste, see Molotov, *Speeches and Statements at Moscow*, pp. 104-105.

⁵ The following Special Deputies were appointed: United States-Matthews; United Kingdom-Hall-Patch; France-Alphand; Soviet Union-Vyshinsky.

⁶ April 22.

PRESENT

U.K.

Mr. Bevin (Chairman)
 Sir M. Peterson
 Lord Hood
 Mr. Mack
 General Winterton
 Sir E. Hall-Patch

FRANCE

M. Bidault
 M. Couve de Murville
 M. Alphand
 M. Paris
 General Perruche

U.S.S.R.

M. Molotov
 M. Vyshinski
 General Kurasov
 M. Kiselev

U.S.A.

Mr. Marshall
 Mr. Smith
 Mr. Cohen
 Mr. Dulles
 General Clark
 Mr. Bohlen

I. TREATY FOR THE RE-ESTABLISHMENT OF AN INDEPENDENT AND DEMOCRATIC AUSTRIA. (SECOND REPORT OF THE DEPUTIES—CFM/47/M/82 AND CFM/47/M/130) ⁷

The Council heard the report of the Acting Chairman of the Deputies (CFM/D/47/M/A/55th Meeting and CFM/D/47/M/A/56th Meeting ⁸) and adopted the following decisions:

Article 11

Agreed.

Article 16

Referred back for consideration by the Deputies.

Article 16-bis

Agreed.

It was agreed that the Council should instruct the Allied Control Council for Germany to determine the conditions necessary for the resettlement in Germany of the persons to be transferred from Austria in accordance with this Article.

Article 33

Agreed, the Soviet Delegation having withdrawn its reservation.

Article 36, paragraph 6

Agreed.

⁷ *Post*, p. 516.

⁸ The records of the meetings under reference here are not printed.

Article 36, paragraph 8

Agreed with the inclusion of a supplement proposed by the U.S. Delegation.

Article 36-bis

Deleted.

Article 36, paragraph 9

Referred back for further discussion by the Deputies.

Article 39, paragraph 4

Agreed.

Article 45, paragraph 1

Agreed.

Article 45, paragraph 2

Deferred.

Annex VIII

Agreed.

II. INFORMAL MEETING OF THE COUNCIL

It was *agreed* to continue the discussion of the Treaty with Austria at an informal meeting.

Moscow, April 22, 1947.

740.00119 Council/4-2147 : Telegram

The Secretary of State to the Acting Secretary of State

CONFIDENTIAL

Moscow, April 21, 1947—10 p.m.

URGENT

1488. Delsec 1455. For the President, Vandenberg, Connally and Acheson from Marshall. Thirty-ninth CFM meeting, April 21, [4] p.m., Bevin presiding, heard the report of the Deputies for Austria on the unagreed clauses of the draft treaty which had been referred to it.⁹ The Deputies agreed on several important clauses but could not reconcile basic differences over the treaty.

⁹ At their 55th Meeting, April 20, 4:30 p.m. and their 56th Meeting, April 21, 10 a.m., the Deputies for Austria had reviewed the following articles of the draft treaty for Austria in compliance with the instructions of the Council: Article 5, Austrian frontiers; Article 11, War Criminals; Article 16, Displaced Persons; Article 16 bis, Reichsdeutsche and Volksdeutsche; Article 33, Allied Troops in Austria; Article 36 and 36 bis, Restitution; Article 39 (paragraph 4), Military Currency; Article 45, Austrian Property in Allied Territory; Article 48 (paragraph 2), Interest Payments on Certain Debts; Annex VIII, Industrial Property. For the disposition of these and other articles by the Council at this meeting, see the Record of Decisions, *supra*.

The Council again failed to reach agreement on Austria's frontiers when Molotov continued to insist on the territorial claims of Yugoslavia which are rejected by the US, UK and France.

A compromise proposed by Molotov on the displaced persons clause which would delete from the treaty any mention of a date when the DP's would be removed from Austria was accepted in principle and was referred to the Deputies who will redraft the clause. The removal of the time limit for the transfer from Austria of persons of German origin made possible an agreement on this problem.

The Council reached agreement on the clause providing for the withdrawal of Allied Forces from Austria within 90 days after the coming into effect of the treaty.

The clause on the restitution of property in Austria which was removed from any of the United Nations was agreed upon except for one point which was referred to the Deputies. The clause providing for the renunciation by Austria of claims against the allies was agreed.

No agreement was reached on the disposition of Austrian property in United Nations states because the question of whether or not Yugoslavia would be paid reparations by Austria has not been decided.

Bidault blocked agreement on the clause covering Austria's debts but agreement was reached on all the annexes.

The Council then considered the unagreed clauses which had not been referred to the Deputies. After Molotov refused to accept the clause pledging the allied and associated powers to respect Austria's independence, Marshall asked the Ministers if they wished to go into a restricted session. The Council continued its discussion of the remaining unagreed clauses in restricted session.

Dept please pass to Vienna as 52, Rome as 45 and Paris as 164.
Repeated London 176, Berlin 312.

[MARSHALL]

740.00119 Council/4-2247: Telegram

The Secretary of State to the Acting Secretary of State

TOP SECRET
URGENT

Moscow, April 22, 1947—10 p.m.

1511. Delsec 1458. Personal eyes only for Acheson from Marshall. Please deliver the following message to only the President:¹⁰

"MY DEAR MR. PRESIDENT: Midway in yesterday's Monday after-

¹⁰ In telegram 1039, Secdel 1484, April 23, to Moscow, Acting Secretary Acheson reported as follows:

"Delsec 1458 was discussed with President this morning. He is entirely in agreement with the conclusions, policy and course of action you are taking. He emphasized he supports you thoroughly and has complete confidence in your judgement." (740.00119 Council/4-2347)

noon meeting¹¹ at my suggestion, we went into closed session¹² and on my insistence took up the discussion of our fundamental differences over the Austrian treaty, (A) no change in Austrian boundary in favor of Yugoslavia, (B) no reparations from Austria to Yugoslavia in accordance with Potsdam Agreement, and (C) German assets in Austria. Molotov showed some indication of reconsidering Soviet position on (A) and (B), but no change on (C). This morning we went again into closed session without profitable discussion, Molotov stating that the Soviet delegation was not ready to discuss (A) and (B). Bevin and he had a prolonged and futile debate over (C), in which I declined to participate as it was merely time consuming.

Molotov had suggested possibility of agreeing to amendments of original Soviet proposal on those assets, but declined to submit any amendment. Soviet position since London had remained unchanged while Bevin and I had each submitted proposals amending our original proposals in an effort to secure Soviet concurrence. I stated that further discussions of other details would be unprofitable and were not justified.

At the session this afternoon and evening¹³ from which I have just returned, no progress was made towards the settlement of these questions to which I have just referred. Molotov stated that he was still not ready for further discussion on (A) and (B) as he had not yet been able to discuss these issues with the Yugoslav representatives now in Moscow. In our opinion, he is merely prolonging the meeting in an effort to either force us to a compromise or to put us in the position of initiating the termination of the conference.

As no progress was being made, I suggested as chairman that we meet tomorrow morning at 11:30 and discuss the handling of the various agreements and disagreements which had resulted from our discussion of the Allied Control Council report and our discussion of German treaty measures. Bevin raised the point as to whether this meant a termination of consideration of the Austrian treaty. I replied that if Mr. Molotov were ready to talk at 11:30 tomorrow on (A) and (B) the United States delegation would be glad to participate. Mr. Molotov replied as I have indicated.

Bidault thought that my proposal needed preliminary clarification by the deputies on all the various agreements and disagreements of the German discussion and suggested that the deputies reach an agreement on that before the next meeting of this conference. Bevin objected as it gave the deputies the authority to determine when the next meeting should be. I then proposed, and it was agreed, that the deputies should report at 4 p. m. tomorrow. No further reference was made to the Austrian question. It appears plainly evident to me and to my associates that Molotov's purpose is as I indicated above. I have avoided a statement or actions which would enable Molotov to claim that I had terminated the conference, because it has been alleged in

¹¹ The reference here is to the 39th Meeting of the Council, April 21; see *supra*.

¹² This informal meeting, the 2nd Informal Meeting of the Council session, began at 6 p.m., April 21.

¹³ The 3rd Informal Meeting of the Council was at 11:45 a.m., April 22 and the 4th Informal Meeting was at 6 p.m., April 22. Regarding these informal meetings, see also telegram 1545, Delsec 1470, April 24, from Moscow, p. 377.

Soviet propaganda that I am determined that the conference shall not succeed.

Bidault stated, day before yesterday, that he had to leave Wednesday¹⁴ night, but he made no reference to that in today's discussion. Bevin, I understand, also feels he must return home but he has made no reference at all of this nature. They evidently would prefer that I should take the lead in this matter, but I do not think that the proper action at this particular moment.

I am firmly of the opinion that the United States cannot afford to commit itself to a treaty which contains the Soviet claims to which we disagree, and which are referred to in (A), (B) and (C) above, and it is therefore my intention to stand on that view, though it may force the conclusion of the conference without an Austrian treaty.

The Four-Power Treaty has not again been mentioned but I intend to make a further statement regarding it before the adjournment of the conference. However, I think it is the Soviet intention by its method of amendment to prevent an agreement of this nature which would bring the United States officially or formally into the military picture of Europe in such a manner.

Signed George C. Marshall¹⁷

[MARSHALL]

CFM Files : Lot M-88 : Box 58

*Decision Taken by the Council of Foreign Ministers on April 22nd, 1947, Concerning the Report of the Trieste Commission of Inquiry*¹⁵

SECRET

Moscow, April 23, 1947.

CFM (47) (M) 149

The Council of Foreign Ministers having considered the report of the Trieste Commission of Inquiry as well as the comments on the report submitted by the Government of the Federated People's Republic of Yugoslavia and by the Government of Italy,¹⁶ have reached the following conclusions:

(1) The solution of the questions of the budget, balance of payments, currency, customs and other financial and economic questions

¹⁴ April 23.

¹⁵ The Report under reference, circulated to the Council of Foreign Ministers as document CFM(47) (M)2, March 10, 1947, is not printed, but see footnote 28, p. 163. The Report of the Trieste Commission of Inquiry was considered by the Council of Foreign Ministers at its 38th Meeting, April 21, 1947. At that meeting, the Council decided to appoint special deputies to consider the Commission Report; see telegram 1489, Delsec 1454, April 21, from Moscow, p. 370. The Special Deputies prepared a draft decision for the Council, which the Council accepted after making some revisions during its 41st Meeting, April 23, 1947; see the editorial note, p. 378. The amended text is printed here. Copies of this decision were transmitted to the Secretary-General of the United Nations by Soviet Deputy Foreign Minister Vyshinsky under cover of a letter dated September 7, 1947, designated U.N. doc. S/577, October 9, 1947; for the text of Vyshinsky's letter, see Department of State *Bulletin*, October 26, 1947, p. 824.

¹⁶ The comments of the Italian and Yugoslav Governments were circulated to the Council as documents CFM(47) (M)113, April 7, 1947, and CFM(47) (M)144, April 19, 1947, neither printed.

concerning the Free Territory of Trieste which were discussed in the report of the Commission falls within the competence of the Governor and the Council of Government and the Popular Assembly of the Free Territory in accordance with the relevant Articles of the Permanent Statute of the Free Territory of Trieste. Until the coming into force of the Permanent Statute the solution of these questions falls within the competence of the Governor and the Provisional Council of Government in accordance with the relevant Articles of the Instrument for the Provisional Regime of the Free Territory of Trieste. In the solution of these questions the economic independence of the Free Territory should be provided for in accordance with the above mentioned provisions, particularly Paragraph 4 of Article 24 of the Permanent Statute.

(2) The Council of Foreign Ministers recommends that, as from the date of the establishment of the Provisional Council of Government of the Free Territory of Trieste and until a new customs regime is introduced by the authorities of the Free Territory of Trieste the present regime should be maintained and goods of Italian and Yugoslav origin should be imported into the Free Territory of Trieste without payment of customs duty, provided that reciprocal arrangements will be granted by these countries to the products originating in the Free Territory of Trieste; and that the Governor and the Provisional Council of Government should make every effort to institute the new customs regime within a period of three months.

(3) As the balance of payments may show a deficit in free foreign exchange over the period July–September, 1947, the Council of Foreign Ministers is of the opinion that in the event of the Security Council receiving from the Governor and the Provisional Council of Government a request for financial assistance from outside to cover the urgent needs of the first period, the Security Council should recommend that an amount up to \$5,000,000 be made available to the Government of the Free Territory from the resources of the United Nations Organisation.

(4) The Council of Foreign Ministers decides to request the Secretary-General of the United Nations, as soon as the Governor of the Free Territory of Trieste has been appointed, to transmit to him for his information the report of the Trieste Commission of Inquiry, the observations on it of the Italian and Yugoslav Governments, and the text of this decision.

740.00119 Council/4-2447 : Telegram

The Secretary of State to the Acting Secretary of State

SECRET
URGENT

Moscow, April 24, 1947—8 p.m.

1545. Delsec 1470. For the President, Vandenberg, Connally and Acheson from Marshall. Second, third and fourth informal restricted CFM meetings on April 21 and 22 continued in closed session discus-

sion of the Austrian treaty.¹⁷ Marshall stated that the issue of German assets in Austria affected so many other articles in the treaty that, unless they could reach a decision on that issue (Article 35), it was obvious that they could not settle many other points in the treaty. Molotov agreed to this thesis but said that the Soviet Government could not agree to reduce to naught the reparations which it was to receive from Germany. He continued that the Soviets were only claiming what was [*were*] German assets under the Potsdam Agreement and if that agreement harmed the interest of someone else not party to Potsdam, these interests should not be protected at the expense of the Soviet Union.

Molotov suggested possibility of agreeing to amendments of original Soviet proposal on assets, but declined to submit any amendments.

As to the Austrian boundary of Yugoslavia and reparations from Austria to Yugoslavia in accordance with Potsdam, Molotov said he was still not ready for further discussions because he had not yet had an opportunity to talk with the Yugoslav representatives in Moscow.

The results of these three closed sessions were negative insofar as agreement was concerned, so the Ministers resumed open discussion. It was agreed that the three closed sessions would be "off the record".

Repeated London 186, Berlin 329.

[MARSHALL]

Editorial Note

On April 22, 1947, the Council of Foreign Ministers held two regular meetings and three informal meetings. The informal meetings are reported upon in telegram 1545, Delsec 1470, *supra*. There were no telegraphic reports of the two regular Council meetings—the 40th and 41st. The 40th Council meeting was convened at 11:30 a.m. and lasted only 15 minutes. At this meeting, the Council agreed to postpone the hearing of the report of the Special Committee set up to review the Report of the Trieste Commission of Inquiry. The Council then agreed to continue their discussion of the draft treaty for Austria at an informal meeting (the 3rd Informal Meeting). Following this informal meeting, the Council met at 5 p.m. for their 41st regular meeting. The Council heard the report of the Special Committee, and, following a discussion, the Council agreed upon the final text of decision concerning the Report of the Trieste Commission of Inquiry (for text, see CFM (47) (M) 149, April 23, 1947, page 376). The regular session was terminated at 6:15 p.m. and the Council continued its informal discussion of the Austrian draft treaty (4th Informal Meeting).

¹⁷ Regarding these informal meetings of the Council, see also telegram 1511, Delsec 1458, *ante*, p. 374.

740.0011 EW (Peace)/4-2247

*Memorandum of Conversation, by the United States Political Adviser
for Germany (Murphy)*

Moscow, April 22, 1947.

I talked this afternoon with Mr. Couve de Murville, who told me that while Mr. Bidault would like to leave Wednesday¹⁸ evening nevertheless if there is a possibility of getting an Austrian treaty he would be prepared to stay even another week. He definitely would like to have a treaty now.

German Deputies. As matters now stand the French, according to Couve de Murville, see no necessity for an early meeting of the German Deputies. Questions relating to central agencies, advisory council, and provisional government, in their opinion, could well be allowed to stand as they are without further action by the Ministers. Couve feels that Control Council experience with these questions so far is not satisfactory. However, if the CFM does refer these questions the French preference would be that they be handled by the German Deputies instead of by the Control Council. He said however that this is not a hard-and-fast position.

The French do not like Berlin as a meeting place for the Deputies. Couve's personal attitude is strong in this respect but he did not say that Mr. Bidault entirely shared his point of view. His reasons are psychological. I drove home the expense argument. He fears excessive German influence in the peace-making, the psychological effect on the Allies that meeting in Berlin would entail, and also unfavorable French public opinion.

Next meeting of CFM. Couve said it was impossible to predict whether French Foreign Minister will attend UN meeting in September. He said that the French are open-minded to the question whether CFM should run concurrently with the UN meeting. He thought this would be acceptable just as he feels the idea of agreeing on consultation next July for the purpose of citing a precise date for the next CFM meeting is acceptable. He sees no point in meeting earlier than next fall.

ROBERT MURPHY

740.00119 Council/4-2347 : Telegram

The Secretary of State to the Acting Secretary of State

SECRET
PRIORITY

Moscow, April 23, 1947—9 p.m.

1529. Delsec 1462. For Acheson from Marshall. The Czechoslovakian Ambassador, Professor Jiri Horak, called this morning at his

¹⁸ April 23.

request. Memorandum of conversation being forwarded by courier pouch to Department with copy to Prague.¹⁹

He spoke at some length of the "undying gratitude" of his country to the United States. He raised the question of the Czech-Austrian frontier, particularly as to a small claim of about 1800 hectares on the right bank of the Danube near Bratislava. He wanted the CFM to add a clause to the Austrian Treaty that in connection with bilateral negotiations for Czech territorial claims, the CFM would "interest itself in the progress of the negotiations and view an agreement with satisfaction".²⁰

The Secretary said that he would discuss the territorial frontier question with General Clark. Marshall stated he had received from other sources quite a contrary impression of the Czechoslovak attitude toward the United States, and quoted excerpts from the Prime Minister's statement as relayed here from Prague on April 16.²¹ Marshall said he wanted the Ambassador to know that he deeply resented the statement of the Czechoslovakian Prime Minister and that it was absolutely false insofar as concerned the American zone of Germany. Marshall repeated that he deeply resented it and that his Government resented it. He stated that he was not a diplomat and that he was accustomed to speaking directly and frankly and he wanted the Ambassador to know his views on the statement of the Prime Minister.

The Ambassador made no comment but reverted again to the frontier question.

¹⁹ The memorandum of conversation under reference is filed separately under 711.60F/4-2347.

²⁰ Regarding the Czechoslovak-Austrian negotiations concerning frontier rectification, see telegram P 6899, March 16, from Vienna, and telegram 282, March 28, from Praha, pp. 503 and 516.

²¹ Telegram 378, April 16, from Praha, not printed, had transmitted excerpts of a speech made by Czechoslovak Prime Minister Klement Gottwald on April 14, 1947 (740.00119 Control (Germany)/4-1647). According to the memorandum of the conversation with Horak cited above, Secretary Marshall quoted the following excerpt from Gottwald's speech:

"It is our interest that Germany be de-Nazified and democratized in order that she cease to be a source of war. Up to the present such action has been taken only in the Soviet zone. This is why it is to the interest of the Czechoslovak state that we support by every possible means the Soviet point of view. In the same way in the question of the eastern frontiers of Germany, it is to our interest that the present German-Polish frontier be recognized and maintained for that means a lessening of the grip of the German tentacles about our republic."

In this connection, telegram 379, April 16, 1947, from Praha, not printed, reported that Communist leaders and press in Czechoslovakia had lost no opportunity to publicize Soviet views at the Council of Foreign Ministers while distorting the American positions in such a way as to picture the United States as either indifferent to a potential German menace or actively supporting German reactionaries (740.00119 Control (Germany)/4-1647).

Nothing further of importance was discussed.
Repeated Prague for Steinhardt 1.

[MARSHALL]

CFM Files : Lot M-88 : Box 60

*Provisional Record of Decisions of the Council of Foreign Ministers,
Forty-Second Meeting, Moscow, Aviation Industry House, April 23,
1947, 5 : 30 p.m.*

SECRET

CFM (47) (M) 42nd Meeting

PRESENT

FRANCE

M. Bidault (Chairman)
General Catroux
M. Couve de Murville
M. Alphan
M. de St-Hardouin
M. Paris

U.S.A.

Mr. Marshall
Mr. Smith
Mr. Cohen
Mr. Dulles
Mr. Murphy
General Clark
Mr. Bohlen

U.K.

Mr. Bevin
Sir M. Peterson
Sir William Strang
Lord Hood
Mr. Mack
General Winterton
Sir E. Hall-Patch

U.S.S.R.

M. Molotov
M. Vyshinski
M. Smirnov
General Kurasov
M. Kiselev

I. REPORT OF THE DEPUTIES FOR GERMANY CONCERNING AGREEMENTS AND DISAGREEMENTS ARRIVED AT IN DISCUSSIONS DURING THE PRESENT SESSION ON ITEMS 1 AND 2 OF THE AGENDA AND QUESTIONS OF PROCEDURE (CFM/47/M/148) ²²

The Council heard the report of the Acting Chairman of the Deputies. During the course of the discussion the following modifications were inserted into the text of the written report (CFM/47/M/148) :

Part I. Introduction, third Sub-paragraph

The U. K. Delegation withdrew its reservation.

²² *Post*, p. 461.

Part II. Section I, paragraph B (Unagreed points)

The U.S. Delegation withdrew its reservation and adopted the proposals of the Soviet Delegation.

Part II. Section II, paragraph B (Unagreed points)

The U.S. Delegation withdrew its reservation and adopted the proposal of the Soviet Delegation.

Part III. Section E (Powers of the Laender Governments)

The U.S. Delegation withdrew its reservation.

Part V. Sub-paragraph 3[1].

The U.K. Delegation withdrew its first reservation.

II. TREATY FOR THE DISARMAMENT AND DEMILITARIZATION OF GERMANY (CFM/47/P/21)²³ AND (CFM/47/M/129)²⁴

There was an exchange of views (U.S.A.—CFM/47/M/151),²⁵ during the course of which the Soviet Delegation referred to its proposal (CFM/47/M/152).²⁶

III. THE RETURN OF GERMAN PRISONERS OF WAR TO GERMANY

It was *agreed* to accept the proposal of the Soviet Delegation (CFM/47/M/153)²⁷ drafted in accordance with a proposal of the British Delegation.

IV. TREATY FOR THE RE-ESTABLISHMENT OF AN INDEPENDENT AND DEMOCRATIC AUSTRIA

It was agreed to instruct the Deputies for Austria to consider the remaining disagreements in the Treaty with Austria, with the exception of Articles 5, 34, 35, 42 and 45, and to submit a report to the Council on April 24, 1947.

²³ The garbled citation here is to the United States draft treaty on the disarmament and demilitarization of Germany, circulated at the Paris Session of the Council of Foreign Ministers as document CFM(46)21, April 30, 1946, *Foreign Relations*, 1946, vol. II, p. 190.

²⁴ The Soviet draft treaty on the demilitarization of Germany, circulated to the Council on April 14, 1947; for the text, see *Documents on International Affairs, 1947-1948*, pp. 445-449, or Molotov, *Problems of Foreign Policy*, pp. 601-608.

²⁵ Statement by Secretary Marshall regarding the draft treaty on the disarmament and demilitarization of Germany; for the text, see *Germany 1947-1949*, pp. 101-102, or Department of State *Bulletin*, May 4, 1947, p. 793.

²⁶ The Soviet proposal, not printed, called for the establishment of a Special Committee which would consider the United States draft treaty together with the corrections and addenda suggested by other Delegations. The Special Committee would report to the Council at its next session.

²⁷ CFM(47)(M)153, April 23, 1947, read as follows:

"1. German prisoners of war located in the territory of the Allied Powers and in all other territories will be returned to Germany by December 31, 1948.

"2. The repatriation of German prisoners of war will be carried out in accordance with a plan which will be worked out by the Control Council not later than July 1st of this year."

V. AGENDA FOR THE NEXT MEETING

It was agreed:

- 1) to consider the report of the Deputies for Austria
- 2) to discuss the question of the limitation of occupation forces in Germany
- 3) to discuss the time and place of the next session of the Council.

740.00119 Council/4-2347 : Telegram

The Secretary of State to the Acting Secretary of State

CONFIDENTIAL

Moscow, April 23, 1947—midnight.

URGENT

1533. Delsec 1466. For the President, Vandenberg, Connally and Acheson from Marshall. [42nd] CFM meeting, April 23, Bidault presiding, reviewed the agreements and disagreements arising out of the Council's discussion of the ACC's report and of the future political organization of Germany.²⁸

The Council decided to refer to the Control Council for Germany as directives for action the agreements reached by CFM on the questions of demilitarization, denazification, democratization, population transfers and territorial reorganization. Disagreements on these questions were referred to the Control Council for information and study.

All delegations agreed in principle: (1) that there should be a sharing of indigenous resources in Germany and that commodities in short supply should be allocated on a basis of uniform rations, and (2) that agricultural production shall be maximized and industry reactivated on peaceful lines as soon as possible and imports into Germany shall also be used on a common basis. The unagreed points include: (1) export-import plan; (2) sharing of import deficits; (3) financial reform; (4) subjection of resources in Germany to German law; (5) occupation forces and their requirements; (6) freedom of movement; (7) control of the Ruhr; (8) annulment of the US-UK bi-zonal agreement; (9) economic decentralization and decartelization; and (10) allied control over internal allocations in Germany. The Council decided to refer all agreed and unagreed points to the Control Council for information. Molotov and Bidault asked that the unagreed points be referred to the Deputies for Germany for study after the Council adjourns. Marshall said he agreed although the differences are so fundamental that he doubted whether the Deputies

²⁸ For the documents under discussion during this Council meeting, see the Provisional Record of Decisions, *supra*.

could make much progress. Bevin opposed the suggestion for the present, and no agreement was reached.

On the questions of the level of the postwar German economy and the reparations plan, one unimportant agreement has been reached. No agreement was reached on whether the disagreed points should be referred to the Deputies for study.

In regard to the provisional political organization of Germany, all delegations agree that any decision on political organization is conditional upon the prior establishment of German economic unity. Thus, agreements on several phases of Germany's political organization are all conditional. This entire question will continue to be studied by the Deputies as a result of an earlier Council decision.

The Council agreed that the Deputies' report containing agreements and disagreements on the procedure for the preparation of the German Peace Treaty would be returned to them for further study. Bevin insisted, however, that agreement on parts of the Deputies' report does not mean that parts of the procedure for a German Peace Treaty should be put into operation before there is agreement on the whole procedure.

The chairman pointed out that no agreement had been reached on other items on the Council's agenda, including (1) Germany's boundaries, (2) the Ruhr and the Rhineland, and (3) the US draft disarmament and demilitarization (four-power pact) treaty for Germany.

Marshall stated that the US regards very seriously what in effect is the virtual rejection by the Soviet Union of the US draft four-power treaty for the disarmament of Germany. (Text cabled Dept.) He said the additions included in the redraft of the treaty proposed by Molotov render obviously impossible any hope of concluding such a treaty at this time. The US finds it difficult he added, to understand why the USSR declines to agree to the treaty. He concluded by stating that the US is not withdrawing its proposal for such a treaty even though there is no prospect of agreement at this Council meeting.

Molotov replied that the Soviet Union does not consider the US draft satisfactory in its present form but added that the USSR agreed with the aim of a such a treaty. He repeated other arguments previously made but added nothing new. He maintained that the US refusal to discuss the proposed Soviet additions prevented discussion of the substance of the treaty.

Bevin recalled that the Council had not yet acted on the British pro-

posal concerning the repatriation of German prisoners of war. The Council agreed: (1) that the occupying powers will furnish to ACC by July 1947 their plans for the repatriation to Germany of German prisoners of war now under their control or transferred to any other allied power; and (2) completion of the repatriation by December 1948.

Marshall then asked the Council to decide whether it could or could not conclude the Austrian Treaty here. (Text cabled Department). He pointed out that the main outstanding issue is the clause dealing with the disposition of German assets in Austria. He said there was no substantial difference in the views of the British, French and US delegations on this subject. These three delegations have made clear, he continued, that they cannot accept the present Soviet position and that despite their urging, no new Soviet proposal has been made. He said that unless the Soviet delegation has some concrete proposal to make which will make clear that German assets in Austria do not include assets which in justice and equity should be restored to non-Germans, we must accept the fact that further progress in the Austrian Treaty is impossible at this conference. He suggested that if agreement among the occupying powers could not be reached before September, the United Nations Assembly be asked to make recommendations.

Molotov said he would reply after studying Marshall's statement. Bevin suggested and the Council agreed to meet again tomorrow after the Deputies for Austria attempt once again to reduce the number of unagreed clauses except the five principal unagreed clauses which would be discussed by the Ministers. Molotov pointed out, however, that the Soviet delegation had nothing new to add to a discussion of the principal treaty issues on which there is no agreement. The Council also agreed to decide at tomorrow's session the date and place of the next Council session.

Marshall asked and the Council agreed that the US proposal to reduce the size of the occupation forces in Germany be placed on the agenda for discussion tomorrow. He recalled that the Council had not discussed this proposal because Molotov had stated at the beginning of this CFM session that he was not ready to discuss it.

The Council then adjourned.

Department please pass to Vienna as 56, Rome as 48 and Paris as 174.

Repeated to London as 185, Berlin 326.

[MARSHALL]

CFM Files : Lot M-88 : Box 60

*Provisional Record of Decisions of the Council of Foreign Ministers,
Forty-Third Meeting, Moscow, Aviation Industry House, April 24,
1947, 4 p.m.*

SECRET

CFM(47) (M) 43rd Meeting

PRESENT

U.K.

Mr. Bevin (Chairman)
Sir Maurice Peterson
Sir William Strang
Lord Hood
Sir E. Hall-Patch

FRANCE

M. Bidault
General Catroux
M. Couve de Murville
M. Alphanand
M. de St.-Hardouin

U.S.S.R.

M. Molotov
M. Vyshinski
M. Smirnov
General Kurasov
M. Kiselev

U.S.A.

Mr. Marshall
Mr. Smith
Mr. Cohen
Mr. Dulles
General Clark
Mr. Bohlen

I. TREATY FOR THE DISARMAMENT AND DEMILITARIZATION OF GERMANY

The Council heard the statement of the Soviet Delegation on this subject (CFM/47/M/155²⁹).

II. TREATY FOR THE RE-ESTABLISHMENT OF AN INDEPENDENT AND
DEMOCRATIC AUSTRIA

There was an exchange of views concerning the establishment of Four Power Commission for the consideration of disagreed questions of the Austrian Treaty (USSR-CFM/47/M/156³⁰).

It was *agreed*:

1. To establish a Commission consisting of representatives of the Soviet Union, the United Kingdom, the United States of America

²⁹ For the text of Molotov's statement under reference here, see Molotov, *Problems of Foreign Policy*, pp. 448-450.

³⁰ The document under reference contained the text of Molotov's statement on the draft Austrian treaty which included a proposal for the establishment of four-power commission to examine all the unagreed clauses in the draft treaty; for the text of Molotov's statement, see Molotov, *Problems of Foreign Policy*, pp. 451-453.

and of France, charged with the examination of all disagreed questions of the Austrian Treaty; this Commission shall include a Committee of Experts to give special consideration to Article 35 and the appropriate parts of Article 42, and to the establishment of concrete facts [with the aim of possible co-ordination of the points of view of the Governments represented on it].

[The U.K. Delegation proposes to insert instead of the words in brackets in paragraph 1 the following separate paragraph: "2. The aim of the Commission shall be the co-ordination of the points of view of the Governments represented on it". The U.S.A. and French Delegations agree with this wording.]

2. The Commission shall submit its report without delay to the Council of Foreign Ministers.

3. The Commission will sit in Vienna and shall begin its work on May 12, 1947.

III. TREATY FOR THE RE-ESTABLISHMENT OF AN INDEPENDENT AND DEMOCRATIC AUSTRIA. REPORT BY THE DEPUTIES

The Council heard the report of the Acting Chairman of the Deputies Meeting (CFM/D/47/M/A/57th Meeting).

Article 10.

The text submitted by the Deputies was *agreed*. All disagreed questions are referred to the Commission established in accordance with Section II of the present Record of Decisions.

IV. LIMITATION OF THE OCCUPATION FORCES IN GERMANY

There was an exchange of views on this subject.

Finding it necessary to limit the occupation forces in Germany the Council *agreed* to suggest that the Allied Control Council in Germany should consider this question and determine the size of armed forces of the USA, United Kingdom, France and the USSR in Germany.³¹ The Control Council will report its decision to the Council of Foreign Ministers not later than June 1, 1947.

V. NEXT SESSION OF THE COUNCIL

It was *agreed* to hold the next regular session of the Council in London in November 1947. The Agenda shall be settled through diplo-

³¹ It was the understanding of the Department of State that the Council of Foreign Ministers had agreed that September 1, 1947, would be the target date for the reduction of occupation forces in Germany. As a result of a request by the United States, the concluding phrase "as on September 1, 1947" was added to this sentence of the Council's decision as it was transmitted to the Allied Control Council for Germany in document CFM(47)(M)158, May 10, 1947, p. 470.

matic channels. If all of the Four Ministers will be in New York for the session of the General Assembly of UNO in September [they would be able to agree to hold there a short session of the Council]. [The U.S.A. Delegation proposes to insert instead of the words in brackets in the above paragraph the following: "they will hold there a short session of the Council". The U.K. and French Delegations agree with this wording.]

VI. WORK OF THE DEPUTIES FOR GERMANY

The Ministers agreed to settle through diplomatic channels the question of the place and the time of the beginning of the work of the Deputies for Germany.

VII. APPROVAL OF RECORDS OF DECISIONS

It was *agreed* to approve the Records of Decisions of the 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39 and 40th Meetings of the Council.

VIII. CLOSURE OF THE FOURTH SESSION OF THE COUNCIL

It was *agreed* to close the present session of the Council.

740.00119 Council/4-2547 : Telegram

The Secretary of State to the Acting Secretary of State

CONFIDENTIAL

Moscow, April 25, 1947—1 a.m.

URGENT

1546. Delsec 1472. For the President, Vandenberg, Connally and Acheson, from Marshall. Final Council of Foreign Ministers meeting, April 24, Bevin presiding, opened with Molotov replying to statements made by Marshall yesterday on the Austrian treaty and the four-power pact for the disarmament and demilitarization of Germany.³² Molotov denied that the Soviet Union opposed a quadripartite treaty to insure German disarmament but insisted that the changes on the draft treaty he had proposed were necessary to prevent any new German aggression. He accused the United States of attempting to impose its will on other states by declining to discuss the Soviet amendments to the United States draft. He said he would continue to seek agreement on such a treaty on the basis of the United States draft and the Soviet proposals.

³² For a detailed account of Molotov's statements summarized here, see Molotov, *Problems of Foreign Policy*, pp. 448-453.

Molotov stated that the Soviet Union viewed the question of German assets in Austria in the light of the promises made to the USSR covering German reparations. He repeated again the United States definition of these assets would deprive the USSR of assets which it had been promised at Potsdam. He rejected Marshall's tentative suggestion to refer the question to the United Nations Assembly on the ground that the drafting of an Austrian treaty was beyond the competence of the United Nations.

After discussing several proposals, the Council agreed to appoint a special commission consisting of representatives of each Council member to meet in Vienna on May 12 to discuss all disagreed questions of the Austrian treaty. A special committee of experts will be formed under the commission to study the facts involved in the question of German assets in Austria and Austrian property in Allied and associated states. The commission will seek agreement on all differences and report without delay to the Council of Foreign Ministers.

Marshall brought up the United States proposal³³ on the reduction of occupation forces to Germany which directs the Control Council for Germany to report to the Foreign Ministers on the size of the security forces which it is necessary for the occupying powers to keep in Germany. Molotov proposed that the Council limit the occupation forces in Germany to 200,000 men for the USSR, 200,000 for the United States and United Kingdom, since their zones are combined, and 50,000 for France. Bevin said he would agree to a limit of 145,000 men for the United Kingdom zone but that the USSR, United Kingdom, and United States zones should have an equal number. Bidault agreed that the occupation forces should be limited but he was not authorized to accept a revision of the previous figure of 70,000 men for the French zone.

Marshall asked the Council not to attempt to fix specific figures but to agree on the generalized United States proposal. He said the United States desired to reduce its forces as quickly and as far as the situation

³³ The United States proposal under reference, circulated to the Council of Foreign Ministers as document CFM(47)(M)51, March 23, 1947, read as follows:

The Council of Foreign Ministers instructs the Allied Control Council as follows:

1. In order that the German economy may become self-supporting at the earliest possible date and to expedite the availability of products for export, the size of the occupying forces and thereby the costs of occupation should be reduced progressively to the minimum consistent with security and with the fulfillment of Allied objectives.

2. The Allied Control Council will determine the security forces necessary in each Zone of Occupation as of 1 July 1947 and 1 July 1948. It will report its conclusions to the Council of Foreign Ministers not later than 1 June 1947. (CFM Files: Lot M-88: Box 58)

permits and rejected Molotov's suggestion that the total forces in the US and UK zones should equal those in the Soviet zone alone. The Council agreed to ask the Allied Control Council to report by June 1947 on the maximum forces to be permitted in each zone.

The Council decided that its next regular meeting would be held in London in November. If all four Foreign Ministers attend the United Nations [General] Assembly meeting in December in New York, a brief meeting with a limited agenda will be held at that time.³⁴

The agenda for the next session was then discussed. Bevin suggested that completion of the Austrian treaty be the first item. Marshall asked that a decision on the agenda await later developments and that the Ministers communicate their views through diplomatic channels. Molotov agreed with Marshall, adding that the Austrian treaty and the German question would of course be on the agenda. The Council accepted this solution.

The Council then discussed the meeting place for the Deputies for Germany. Bidault proposed London and Marshall suggested Berlin.³⁵ The Council members will choose between the two cities and communicate their decision through diplomatic channels. The Council of Foreign Ministers then adjourned its fourth session.

Department please pass to Vienna as 57, Rome as 49, and Paris as 176.

Sent Department as 1546, repeated London 187, Berlin 332.

[MARSHALL]

³⁴ In connection with the holding of the next Council session, E. S. Mason of the United States Delegation sent Secretary Marshall the following memorandum on April 24:

"Mr. Bevin wished to convey to you the following message. He prefers to hold the next Council Meeting after the General Assembly meeting. He recognizes that this would mean postponing the next Council Meeting until after the first of next year. He prefers London as the meeting place. I told Mr. Hall-Patch that I believed you favored holding the next Council Meeting shortly before the General Assembly convenes. You may wish to discuss this matter with Mr. Bevin before the meeting today." (CFM Files: Lot M-88: Box 99: Procedure)

³⁵ On April 22, 1947, Secretary Marshall had written to Foreign Minister Bidault on this subject as follows:

"I have been giving some thought to the question where our Deputies for Germany should meet after the present session of the Council of Foreign Ministers. As you know, it has been suggested that Berlin would afford certain advantages.

"Among these are available staff, reference data, housing, and communications, and particularly the advantage of reduced expenditure, the latter I feel is not an inconsequential item as I believe our Governments are all interested in reduced public expenditure. I know my Government is. We estimate that the saving of public funds would be substantial if the Deputies would be established, at least temporarily, at Berlin." (CFM Files: Lot M-88: Box 99: Procedure)

D. CONFERENCE DOCUMENTS AND SUPPLEMENTARY PAPERS

1. The German Peace Settlement; Quadripartite Control Over Germany

CFM Files : Box 58

*The Secretary General of the Inter-Allied Reparations Agency (Sutton) to the Secretary General of the Council of Foreign Ministers*³⁶

[LONDON,] January 29, 1947.

SIR: On October 10, 1946 the President of the Inter-Allied Reparations Agency had the honor to submit to the Council of Foreign Ministers the resolution of the Agency's assembly, adopted on October 8, 1946.³⁷ According to your letter of December 13 confirming the receipt of the resolution, it was to be considered at the subsequent meeting of the members of the Council of Foreign Ministers in Moscow in March.

I have been instructed by the assembly to present the enclosed memorandum supplementing the resolution of October 8, 1946.

I must add that, in view of the great importance for the assembly of all questions concerning reparations from Germany and in view of the special knowledge that has been acquired by the members of the assembly in the field of technical and administrative problems concerning these reparations, the assembly has instructed the President of the Agency and myself to consider ourselves as being at the disposal of the Council of Foreign Ministers in case the Council should desire to receive further information concerning questions arising from the enclosed memorandum.³⁸

I have [etc.]

N. E. P. SUTTON

³⁶ This communication was first circulated to the Deputies for Germany as document CFM(D) (47) (G) 39, January 31, 1947. At their 23rd Meeting at London, February 17, 1947, the Deputies agreed to refer this communication to the Council of Foreign Ministers at its forthcoming Moscow Session. At its 2nd Meeting, March 11, the Council of Foreign Ministers decided that the communication, which had been circulated as an enclosure to document CFM(47) (M) 1, March 10, 1947, not printed, would not be considered as a separate item on the agenda but would be considered at the time the overall matter of reparations was considered.

³⁷ For the texts of the letter and resolution under reference, see *Foreign Relations*, 1946, vol. II, pp. 1562-1563.

³⁸ At its 8th Meeting, March 18, the Council of Foreign Ministers agreed that the Deputies for Germany should hear representatives of the I.A.R.A. and then report to the Council; see the United States Delegation Minutes of that Council meeting, p. 257. For the report of the Deputies to the Council on the hearing given the representatives of the I.A.R.A., see document CFM(47) (M) 98, April 3, 1947, p. 434.

[Annex]

*Memorandum From the Inter-Allied Reparations Agency to the
Council of Foreign Ministers*

[undated.]

I. Basic Aim of the Paris Agreement on Reparations

The Inter-Allied Reparations Agency was created by the Paris Agreement on Reparations of January 14, 1946.³⁹ The aim of this agreement, signed by eighteen governments, was to secure a just distribution among the countries which signed this agreement of the assets declared subject to reparations from the western zones of Germany in accordance with the Potsdam Declaration.

II. Basis for Reparations

The powers which signed the Potsdam Declaration agreed to establish a general policy regarding reparations and the elimination of the war industry potential of Germany which, while leaving sufficient resources to enable the German people to subsist without outside aid, will force Germany to compensate to the greatest possible extent for the losses and sufferings caused by her to the United Nations and to meet the responsibilities which the German people cannot evade.

*III. Importance of Including Industrial Capital Equipment in
Reparations*

The Potsdam Declaration considers the deliveries of industrial capital equipment as one form of reparations. The real value of this type of reparations for countries receiving reparations depends to a considerable degree on the speed with which they are made available and delivered, and on the speed with which factories are dismantled. The countries represented at the Paris Conference and at present members of the Inter-Allied Reparations Agency therefore especially hoped that speedy large-scale deliveries of this kind of reparations would constitute a rapid and considerable form of help for restoration of the economy of those countries whose industry was subjected to destruction, deterioration and disorganization as a result of the war with Germany.

IV. Industrial Capital Equipment Subject to Reparations to Date

The rate of delivery of reparations from Germany in the form of industrial capital equipment has been extremely slow, and the amount

³⁹ For the text of the agreement under reference, see Department of State, Treaties and Other International Acts Series, No. 1655 or 61 Stat. (pt. 3) 3157. For additional documentation on the establishment of the Inter-Allied Reparation Agency, see the index entry in *Foreign Relations, 1945*, volume III.

received has been very small. Furthermore, the member governments of this Agency have not received information as to the general volume of capital equipment to be delivered by Germany, and as a consequence thereof they have not been able to determine to what extent they can count on this type of reparations in the formulation of plans for the rebuilding of their economic structure.

Up to the present time, the Allied Powers have left the Inter-Allied Reparations Agency only the following lists of industrial capital equipment:

a. Up to May 28, 1946, 71 plants distributed in accordance with the Potsdam Declaration, which provides for advance supplies of industrial capital equipment until the establishment of an over-all amount of equipment subject to withdrawal from Germany.

b. In November 1946, general purpose lathes from 51 war plants.

c. In November 1946, general purpose lathes and equipment to a value of 75 million reichsmarks, from the British zone.

d. In December 1946, general purpose lathes and equipment to a value of 15 million reichsmarks from the French zone.

Of the 122 plants indicated in *a* and *b*, it has been impossible to date to distribute the equipment of 30 thereof among the member governments of the Agency, since the corresponding inventories have not been received from the Allied Control Authorities. The items mentioned in *c* and *d* are still in the process of being identified by the corresponding zonal authorities.

Furthermore, only a small part of the equipment distributed to date by the Inter-Allied Reparations Agency among the member governments of the Agency has been furnished by it.

It is expected that the Inter-Allied Reparations Agency will soon conclude the distribution among member governments of the Agency of all usable industrial capital equipment given the Agency and for which inventories have been received. This amount of equipment is not only small in itself but is also insignificant as aid in the restoration of the economies of the countries concerned.

V. Effect on the Paris Agreement of the Present Situation With Respect to Reparations

The percentage quotas of Governments which signed the Paris Agreements, the primary aim of which was to guarantee an equitable distribution of all German assets subject to reparations, were established after a detailed statistical study of the war effort and losses of each country; furthermore, the assumption that the amount of industrial capital equipment included in reparations would be significant

was likewise taken into consideration. The problem of effecting an equitable distribution of reparations in accordance with such percentage quotas, taking into account the small amount of industrial capital equipment made available to date, is already becoming most difficult. If the industrial capital equipment in Germany should not be made available in large amounts, it will be impossible to carry out some of the important decisions of the Paris Convention in their present form as planned.

740.00119 Council/3-2047 : Telegram

The Acting Secretary of State to the Secretary of State at Moscow

TOP SECRET

WASHINGTON, March 20, 1947—1 p.m.

586. Secdel 1349. Personal for Secretary from Acheson. March 13 I attended meeting in Secretary Anderson's office with Secretaries Commerce,⁴⁰ War,⁴¹ Navy,⁴² Budget Director⁴³ and Herbert Hoover to hear latter's views on Germany.⁴⁴ These were:

(a) Prospects for economic unification of Germany very slight because Russians will not agree to give up their control of German industries their zone and to unify Germany without such agreement would be to grave disadvantage of British and ourselves and might soon result in Russian control of all of Germany.

(b) Therefore, only sound course is to proceed to make Germany self-supporting and remove the load from British and American taxpayers by concentrating our efforts on British and American zones and, if possible, on French.

(c) This means that level of industry agreement should be regarded as having been set aside by Russian breaches of the Potsdam conception of an economically unified Germany and we should develop German heavy industry.

(d) Development of German heavy industry is necessary to support Germany because Germany cannot furnish necessary exports by products of light industry. Light industry in Germany would have to be developed to do this with disastrous result to international trade. Furthermore, it would not be successful.

(e) Heavy industry development necessary not only for Germany to support itself but necessary if Europe, particularly that part not under Soviet control, is to get the necessary steel and machinery. U.S. cannot with its present plant capacity supply this steel and machinery and it could never be paid for if supplied.

⁴⁰ W. Averell Harriman.

⁴¹ Robert P. Patterson.

⁴² James V. Forrestal.

⁴³ James E. Webb.

⁴⁴ For Secretary Forrestal's account of this meeting, see *The Forrestal Diaries*, pp. 255-256.

(f) It was recognized that program suggested by Hoover would produce some complications arising out of competing demands of France for Ruhr coal.

(g) Denazification procedures should permit employment German technicians at their skills.

Cabinet officers present seemed to concur in the views expressed. I told them nothing in this analysis unfamiliar to you and your advisers. Discussion reported for information and not with idea that action contemplated your absence.

ACHESON

740.00119 Council/3-2147 : Telegram

The Acting Secretary of State to the Secretary of State at Moscow

TOP SECRET

WASHINGTON, March 21, 1947—7 p.m.

611. Secdel 1361. Personal for the Secretary. Mr. Pauley has requested Dept to transmit following message to you :

“Have been greatly impressed by reports of Molotov’s current insistence on 10 billion reparations. Went through this entire argument with Maisky and others at Moscow meeting in 1945⁴⁵ and later at Potsdam.

Feel sure Stalin, Molotov and other Soviet officials firmly committed internally budgetwise and to their people with regard to obtaining reparations having a monetary value of 10 billion dollars, consequently, do not believe they can be dissuaded from that point, if it involves public exposure of their previous inaccuracies.

However this problem can be solved by different methods of valuation. So long as they are permitted to value their reparations in amount of 10 billion whether the value is fictitious according to US standards or not, they will be able to say they have maintained their long advocated position of obtaining 10 billion reparations. Respectfully call your attention to the fact that USSR and Poland will receive more than this in fee ownership of land etc. east of Oder and Neisse Rivers.

If in addition what they get from Germany is valued at 10 billion through their own methods of valuation, believe it immaterial to fix total monetary value of reparations to be removed from Germany.

Am convinced from previous contacts present USSR leaders will lose face if they back down on 10 billion reparations figure.

Believe sincerely you are doing marvelous job reflecting untold credit on US and yourself. Am making above suggestion in hopes your splendid record will not be endangered by Russian adamance on a point that can be handled in manner suggested above.”

⁴⁵ For documentation on the meetings in Moscow during June and July 1945 of the Allied Commission for Reparations, see *Foreign Relations*, 1945, vol. III, pp. 1169 ff. and *Foreign Relations*, The Conference of Berlin (The Potsdam Conference), 1945, vol. I, pp. 510-548 *passim*.

While not disputing Pauley's thesis as stated in para two, Dept questions whether in fact reparation assets obtained by Soviets, including those east of Oder-Neisse line can be valued in manner producing total of ten billion dollars without using methods of valuation which cannot stand close scrutiny. More important, acceptance of thesis that Soviet Union is in fact entitled to ten billion reparation involves also acceptance thesis IARA countries are entitled to same amount. Dept sees no conceivable means of valuing past and future reparation to IARA countries at total even remotely approximating this amount.

ACHESON

740.00119 Council/3-2447 : Telegram

The Secretary of State to the Acting Secretary of State

TOP SECRET

Moscow, March 24, 1947—4 p.m.

974. Delsec 1339. For Acheson from Marshall. The following reports are for the personal information of the President, Vandenberg, Connally and yourself:

Mr. Dulles reports that Bidault made the following statements to him in a recent conversation:

"Bidault said that his interview with Stalin had had no significance.⁴⁶ Stalin had confined himself to expressing strong disapproval of a federalized Germany and the hope that the French would not press for this. Bidault felt that Stalin wanted a central government because he felt confident the Soviets could get control of it and thus get control of all Germany. Bidault felt that no great decision about Germany would be made at Moscow and stated that any final peace terms for Germany might be a matter not merely of months but of possibly a couple of years. He said that putting the French zone in with ours would involve a major political decision as it would be interpreted by the Soviet Union as the creation of a western bloc and France was not in a position to make that decision at the present time. However, Bidault hoped that the situation might develop shortly which would permit that decision being made and he would press its study although probably no answer could be given at Moscow."

[Here follows a brief summary of the memorandum of the Marshall-Bevin conversation of March 22, page 273, and the complete text

⁴⁶ Foreign Minister Bidault met with Generalissimo Stalin on March 17, 1947. Regarding this meeting, see also telegram 1279, March 25, from Paris, p. 400.

of Bevin's letter of March 23 to Marshall quoted in footnote 46 thereto.]

[MARSHALL]

CFM Files : Lot M-88 : Box 58

*Report by the Deputies for Germany to the Council of
Foreign Ministers*⁴⁷

SECRET

MOSCOW, March 24, 1947.

CFM (47) (M) 60

PROCEDURE FOR THE PREPARATION OF THE GERMAN PEACE TREATY

1. The Deputies herewith submit to the Council of Foreign Ministers the draft of the proposed procedure for the preparation of the German Peace Treaty (see Annex⁴⁸). This draft shows the agreed and unagreed passages, and indicates in the case of the unagreed proposals which Delegations support those proposals.

The Document is divided into two parts. The first part sets forth the procedure for the preparation of the draft Peace Treaty by the Council of Foreign Ministers. It also deals with the calling of a Peace Conference and the signature and ratification of the Peace Treaty. The second part is devoted to the consultation and information of the Allied States and their participation in the preparation of the Peace Treaty.

2. There is agreement among the four Delegations on the following principal proposals:

(a) The title of the document should be "Procedure for the Preparation of the German Peace Treaty".

(b) The German Peace Treaty will be prepared by the Council of Foreign Ministers composed for this purpose of the members of the Council representing the Powers signatory to the Act of Military Surrender of Germany, in accordance with the Potsdam Agreement.

In the preparation of the Peace Treaty the Council will consult certain named Allied States.

(c) These Allied States are those which are neighbours of Germany and other Allied States which participated with their armed forces in the common struggle against Germany.

⁴⁷ Following a consideration of this Report at its 13th Meeting, March 25 (see telegram 1013, Delsec 1345, March 25, from Moscow, p. 287) and its 14th Meeting, March 26 (see telegram 1030, Delsec 1353, March 26, from Moscow, p. 292), the Council of Foreign Ministers decided to refer the Report back to the Deputies for further consideration.

⁴⁸ The Annex is not printed. As revised by the Deputies, this Annex was circulated to the Council as document CFM (47) (M) 125, April 12, 1947, p. 452.

(d) These Governments should be given full opportunity to communicate to the Deputies or to the Council any views which they desire to present in connection with the German problem.

(e) Four permanent Committees will be set up by the Council for the study of questions relating to the German Peace Treaty:

Committee on the political and constitutional structure of Germany.

Committee on territorial adjustments and related problems.

Committee on the economic organization of Germany and reparations.

Committee on disarmament and demilitarization.

(f) Each of the four Committees will appoint Sub-Committees to examine concrete questions.

(g) The Council will establish an Information and Consultation Conference of the Allied States. Representatives of the Four Powers and of the Allied States mentioned in subparagraph (e) above will be members of the Conference.* In this Conference the Allied States will receive information and documents about the proceedings of the Council, the Deputies, the Committees and Sub-Committees. Representatives of these Allied States will be able to comment and ask questions in oral or written form on any problem discussed in the communications or documents brought to their attention.

(h) The Governments of other Allied belligerent States, in addition to those in sub-paragraph (e) above, and of ex-enemy States which subsequently participated on the side of the Allied States with their armed forces in the war against Germany, will at an appropriate stage of the preparation of the Peace Treaty be given an opportunity to present their views on the German problem orally or in writing, to the Deputies or to the Council of Foreign Ministers, as the latter may think appropriate.

3. The following are the principal points on which agreement was not reached by the Deputies:

(a) The Soviet and French Deputies consider that Albania should be included in the list of Allied States referred to in paragraph 2(c) above, which will be consulted in the preparation of the Peace Treaty, and should therefore participate in the Information and Consultation Conference and in the Peace Conference. The U.S. and U.K. Deputies oppose this.

(b) Composition of Committees and Sub-Committees. The U.S. Delegation consider that the Committees should be composed of representatives of the Four Powers together with a convenient number of representatives drawn from the Allied States referred to in paragraph 2 (c) above.

The U.K. Delegation considers that the Committees should be composed of representatives of the Four Powers together with representa-

*The U.S. Delegation consider that provision should also be made for representation on the Information and Consultation Conference in addition to the Allied States referred to in sub-paragraph (e) above, of the States which were at war with, but which did not participate with their armed forces against Germany. The Deputies held a preliminary discussion on this proposal, but did not reach agreement. [Footnote in source text.]

tives of any of the Allied States referred to in paragraph 2 (c) who may wish to be represented.

The Soviet and French Delegations consider that the Committees should be composed of representatives of the Four Powers only.

The French Delegation has made clear that the question of the permanent Committees is, in its opinion, connected with that of the Sub-Committees and that it had proposed to restrict the composition of the permanent Committees to four members, on the understanding that in any case the Sub-Committees would include, in addition to the representatives of the Four Powers, representatives of the States directly interested in the problems considered by those Sub-Committees.

The Soviet Delegation considers that the composition of the Sub-Committees should be analogous to the composition of the permanent Committees and that the Sub-Committees may invite representatives of other States to present their views on questions in which they have a direct interest.

The U.S. and U.K. Delegations consider that the Sub-Committees should be composed of representatives of the Four Powers together with a convenient number of representatives drawn from the Allied States referred to in paragraph 2(c).

(c) The U.K. and U.S. Delegations propose that oral statements made by the representatives of Allied States (see paragraph 2(d) above) should be made in the presence of representatives of others of the Allied States wishing to attend as observers, and that it should be open to representatives attending as observers to make additional comment upon communications from representatives of other Allied States.

The French Delegation reserves its position regarding this proposal, pending the adoption of the whole procedure.

The Soviet Delegation is opposed to it.

(d) The Soviet Delegation proposes the insertion of a paragraph as follows: "Representatives of other Allied States not represented on the Council will be invited to participate in the discussion and study of questions relating to the German Peace Treaty in which they have a direct interest."

The U.S. and U.K. Delegations do not agree to the insertion of item "d" mentioned above in the form given, but reserve their final opinion.

The French Delegation also reserves its opinion, pending the adoption of the whole procedure.

(e) The U.S. Delegation has reserved its position with respect to the arrangements for a Peace Conference and other later stages of the peace-making on the ground that it is premature at the present time to attempt to decide on procedure for this period.

The U.K., French and Soviet Delegations are in general agreement on the arrangements proposed for the process of holding a Peace Conference and for the signature and ratification of the German Peace Treaty with the following exceptions:

The U.K. and French Delegations consider that the Conference should be called when the preparation of the draft is "completed or sufficiently advanced", whereas the Soviet Delegation considers

that the Conference should not take place until the draft is "completed".

The U.K. and French Delegations consider that China should be one of the convening powers of the Conference. The Soviet Delegation disagrees.

The Soviet Delegation considers that the Peace Conference should be called when a central government is formed in Germany which will be deemed adequate for the purpose of accepting the said document.

The U.K. Delegation does not agree that the calling of the Peace Conference must necessarily await the formation of a central German government. The U.K. and Soviet Delegations agree, however, that the German Government should be given an opportunity of stating its views before the Treaty is signed.

The Soviet Delegation considers that such opportunity should be afforded to the German Government at the Peace Conference. In the opinion of the U.K. Delegation, this will depend on the existence of a German Government adequate for the purpose of accepting the Peace Treaty at the time of the Peace Conference. The Soviet Delegation considers this provision superfluous.

The French Delegation considers that it is inadvisable to make any mention of a German Government until one exists.

The French Delegation proposes that the Information and Consultation Conference should begin its work immediately and without awaiting agreement regarding the remainder of the procedure.

The Soviet Delegation disagrees with this proposal; the other Delegations reserve their position.

862.6362/3-2547: Telegram

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

SECRET

PARIS, March 25, 1947—7 p.m.

1279. The Acting Minister for Foreign Affairs Teitgen told me today that his government is still exceedingly worried about the Ruhr coal situation and most unhappy in regard to Bevin's stand in that connection at Moscow. He said that if France can obtain a reasonable solution for the Ruhr coal business it would be much easier for his government to support our thesis on a number of other points at Moscow. All the more because the entire Cabinet he said except the Communist basically desires to cooperate with the United States.

First of all he said his government considers the Four Power pact to be essential. Next his government would go along with us in regard to economic unity of Germany and also in raising certain production levels. His government believes that a provisional government based on the *Laender* but with certain delegated powers to a central authority should be set up without delay, especially in view of the fact that it is obvious no definite peace treaty for Germany can be terminated at an early date. "Furthermore" he said "the powers of the central authority

could be gradually extended. I personally envisage the possibility that one day it might evolve into a real central government”.

“Then there is” he said, “the question of unification of our zones. In principle we are not opposed to that but it would be difficult for us to sign a solemn agreement for unification. On the other hand unification of our zones could be effected little by little on an informal basis. The same result could be achieved and we would avoid the complications with the Communists which a public notice of unification would bring on for us”. He then repeated “in view of our public opinion on coal, however, we do not feel that we can contribute to any of these matters until we have the coal matter settled.”

He remarked “Stalin told Bidault in effect ‘you vote with us and we will vote with you’”. “Obviously” said Teitgen “that is the last thing we want to do and Bidault made it clear that we could not enter into such an agreement”.⁵⁰

He added “you are now about to spend a lot of money to keep the Communists out of Greece and Turkey which is very fine; but don’t you think it is worth while keeping the Russians out of here too? What I mean is this, if we have an economic collapse because we don’t get coal the Communists will probably be the gainers.”

Repeated London 253; Moscow for US Delegation 181.

CAFFERY

CFM Files : Lot M-88 : Box 58

*Report by the Coordinating Committee to the Council of Foreign Ministers*⁵¹

SECRET

MARCH 26, 1947.

CFM(47)(M)64

PREPARATION OF THE PROPOSALS IN REGARD TO THE REPORT OF THE ALLIED CONTROL COUNCIL⁵²

I. DEMILITARIZATION

A. Elimination of war potential

1. In the sphere of the elimination of industrial war potential, all four Delegations are agreed that Category I war plants mentioned in

⁵⁰ For additional information on the Stalin-Bidault conversation in Moscow on March 17 under reference here, see telegram 974, Delsec 1339, March 24, from Moscow, p. 396.

⁵¹ This Report was discussed by the Council of Foreign Ministers at its 16th Meeting, March 28 (see telegram 1074, Delsec 1363, March 28, from Moscow, p. 295). Regarding the establishment of the Coordinating Committee, see the report on the Council’s 12th Meeting, March 22, telegram 963, Delsec 1336, March 22, from Moscow, 276.

⁵² Regarding the Report of the Allied Control Council for Germany, see footnote 95, p. 239.

Control Council Directive No. 39⁵³ and special armament machinery in other plants will be eliminated as soon as possible. No agreement could be reached on the simultaneous elimination of the plants of Categories II and III. The French and Soviet Delegations require the fixing of a date for the elimination of these plants. The U.S. and U.K. Delegations consider that the elimination of these plants is dependent upon decisions on economic unity and the level of industry of Germany.

2. Moreover, no agreement could be reached on the establishment of the time limit for the drafting of a plan for the liquidation of industrial war potential, nor on a time limit for the actual completion of the liquidation of the industrial war potential in Germany as required by the Soviet and French Delegations.

B. Disbandment of German units

1. Agreement was reached in principle on the disbandment of existing German units. Agreement could not be reached on the date by which this disbandment shall be completed nor on the tasks for which Germans may legitimately be employed. The Soviet Delegation also insists on the disbandment of those units which are used for mine sweeping and/or guard duties.

C. Commission of inquiry into the elimination of war potential

1. All delegations have accepted in principle the establishment of a quadripartite commission to inquire into the progress made in the elimination of the German war potential. The Soviet Delegate made his acceptance of this proposal conditional upon the Commission being authorized to inquire also into the progress made in the disbandment of German and non-German military formations and upon the drafting of a plan and the fixing of time limits for the elimination of industrial war potential in Germany.

2. The U.S. Delegation knows of no military formations of Germans or non-Germans.

3. The U.S., British and French Delegations note that the terms of reference and the sphere of competence of the Commission have not yet been defined.

D. Destruction of military equipment and disbandment of units consisting of non-German nationals

1. The Delegations could reach no agreement on the questions of time limits for the destruction of military equipment and demolition of military installations in Germany and also regarding the disbandment of units consisting of non-German nationals.

⁵³ Official Gazette of the Allied Control Council for Germany, No. 11, October 31, 1946.

II. DENAZIFICATION

A. All delegations are in agreement on the following:

1. that measures concerning the acceleration of denazification in all Zones of Germany based on Control Council Directives 24⁵⁴ and 38⁵⁵ should be taken.

2. that the Soviet proposal on denazification should be considered as being agreed in principle leaving open the question of drafting these proposals.

B. Agreement was not reached by the delegations on the question of promulgation by German authorities in the various *Laender* of denazification laws based on Control Council Directive 38, which laws would establish uniform measures for the execution of denazification in all Zones of Occupation.

III. DEMOCRATIZATION

A. *Political Parties*

1. All delegations agree to the principle of free development and activity of democratic political parties on a democratic basis.

2. Soviet, UK and US delegations agree on desirability of having political parties on an all-German basis.

3. The positions of the US and UK delegations in this respect are contingent on agreement to establish a provisional government.

4. The French delegation considers that the moment has not yet come to consider the possibility of development of political parties on a nationwide basis, and it is preferable for the time being to assure freedom of activity for these parties within the limits of States.

Soviet memo	CFM/47/M/9 ⁵⁶
French memo	CFM/47/M/57 ⁵⁷
UK memo	CFM/47/M/39 ⁵⁸
US memo	CFM/47/M/53 ⁵⁹

⁵⁴ Entitled "Removal from Office and from Positions of Responsibility of Nazis and of Persons Hostile to Allied Purposes", dated January 12, 1946, *Official Gazette* of the Allied Control Council for Germany, No. 6, April 30, 1946.

⁵⁵ Entitled "The Arrest and Punishment of War Criminals, Nazis, and Militarists and the Internment, Control, and Surveillance of Potentially Dangerous Germans," dated October 12, 1946, *ibid.*, No. 11, October 31, 1946, or Ruhm von Oppen, *Documents on Germany*, p. 168.

⁵⁶ A statement made by Foreign Minister Molotov at the 4th Meeting of the Council of Foreign Ministers, March 13; for the text, see Molotov, *Problems of Foreign Policy*, pp. 348-358.

⁵⁷ Dated March 24, 1947, and entitled "Resolutions Proposed by the French Delegation in Connection with the Discussion of the Report of the Control Council", not printed.

⁵⁸ Statement tabled by Foreign Minister Bevin at the 11th Meeting of the Council, March 21, and entitled "Suggested Principles for Development of Future Political Structure of Germany", not printed.

⁵⁹ Statement by the United States Delegation on German Democratization, dated March 23, 1947, not printed.

B. Trade Unions

There is general agreement on the principles governing the establishment of free trade unions except that the US delegation expresses the opinion that the financial and organizational autonomy of member unions in an all-German federation should be protected. The Soviet delegation considers it an internal matter for the trade unions themselves. The French delegation expresses the opinion that it is too early to establish trade unions on a national basis, but that the Allied Control Council should encourage trade unions on a *Laender* basis.

Soviet	CFM/47/M/9
French	CFM/47/M/57
UK	CFM/47/M/39
US	CFM/47/M/53, para 2b

C. Elections

The Soviet and US delegations have presented principles governing elections. The US delegation proposed that elections throughout Germany shall be under the supervision and inspection of the Allied Control Council. The Soviet and French delegations agree in principle. However, the Soviet Delegation finds it expedient that the forms of supervision should not be determined at present because they should be defined by the Allied Control Council. The Soviet delegation considers it appropriate to establish for all Germany uniform principles of democratic legislation concerning elections on the basis of universal, direct, and equal suffrage, by secret ballot and on the system of proportional representation. The British delegation has made no formal proposals on elections, and states no point of view at this time on the proposals which have been submitted.

Soviet	CFM/47/M/9
French	No specific reference
UK	No reference
US	CFM/47/M/49, ⁶⁰ 53 para 2a

D. Land Reform

All delegations agreed that during 1947 it is necessary to implement land reform in all zones of occupation.

Report of ACC, Section IV, part 4

E. Circulation of Information and Ideas

All delegations agreed in principle with the US proposal for the freedom of circulation of information and ideas in Germany. The US

⁶⁰ Statement by the United States Delegation on the form and scope of a provisional political organization for Germany, dated March 22, 1947; for the text, see *Germany 1947-1949*, pp. 189-190 or Department of State *Bulletin*, March 30, 1947, pp. 569-570.

point of view is contained in paragraph 2c of the US memorandum CFM/47/M/53.

F. Freedom of Movement

1. The US and UK delegations have presented proposals for freedom of movement throughout Germany. On these proposals, no agreement has been reached.

2. The UK delegation points out that failure to get agreement on this would make it impossible for the UK delegation to agree on other matters to which it would otherwise be ready to agree.

US memo CFM/47/M/53
UK memo CFM/47/M/39

G. Fundamental Human Rights

1. This question is dealt with in the following memoranda:

US memoranda CFM/47/M/53 paragraph 1; 49, paragraph 5,
a, (5);

Soviet memorandum CFM/47/M/46, Section II, paragraph 6;
French memoranda CFM/47/M/41,⁶¹ paragraph 2A; 57, Section
III paragraph 1;

UK memorandum CFM/47/M/39 paragraph 3.

2. The views of the various delegations as set out in these memoranda are as follows:

US: (from CFM/47/M/53) "Every state and federal constitution in Germany shall contain specific and effective guarantees of the rights of the individual including freedom of religion, freedom from search, seizure and arbitrary arrest, freedom of speech and assembly and other basic human rights", and (from CFM/47/M/49), "Inform the provisional government that Allied approval of the constitution will depend upon the fulfillment of the following conditions:

(5) The basic rights of the individual including free speech, freedom of religion, freedom of assembly and association and other equally basic rights of man are recognized and guaranteed."

Soviet: (from CFM/47/M/46) ⁶² "The all German constitution and the Land constitutions shall guarantee to all citizens of Germany, regardless of race, sex, language and creed, the democratic freedoms, including freedom of speech and press, religious worship, assembly and association."

⁶¹ Memorandum by the French Government, dated January 17, 1947, and subsequently circulated to the Council of Foreign Ministers as document CFM (47) (M) 41, March 21, 1947; for text, see *Documents Français Relatifs à L'Allemagne (Août 1945-Février 1947)* (Paris, Imprimerie Nationale, 1947), pp. 46-56.

⁶² Statement made by Foreign Minister Molotov at the 12th Meeting of the Council, March 22; for text, see Molotov, *Problems of Foreign Policy*, pp. 391-399; for a summary, see telegram 963, Delsec 1336, March 22, from Moscow, p. 276.

French: (from CFM/47/M/41): "The following basic principles, which all constitutions and legislative provisions enacted by the German public powers should respect and which are based on universally recognized democratic principles, must be included in the peace terms.

A—Basic Rights and Duties:

1) Equality of all before the law and the courts, equality of political rights, equal rights to education, equal access to all employments, the right to work and to suitable wages therefor;

2) Freedom of the individual, of his action, movements, beliefs and opinions, (and) of his right to express them. This freedom must be effectively guaranteed against arbitrary action.

3) Freedom of assembly and association, with regard for the legal regulations of a democracy, particularly in the matter of trade unions.

4) Respect for the dignity of the human being (and for) his life, development and property.

5) Respect for minority rights of all kinds, with such rights being safeguarded within the framework of the law.

6) The rights of men, as set forth above, are inalienable even by renunciation or consent. The duty of one person to another, to the family, to communities, and to humanity involves responsibilities from which no one shall be exempt."; and from CFM/47/M/57, "The Deputies are invited to define the fundamental democratic principles which must be applied in the constitutions of the different states."

UK: (from CFM/47/M/39) "The following rights must under this system be freely and immediately exercised by all Germans throughout Germany, subject only to such restrictions as may be decided by agreement within the Control Council; freedom of speech, freedom of press and radio; freedom of assembly; freedom of movement and communication; freedom of religious affairs; freedom of association for lawful purposes, freedom of the judiciary; freedom from arbitrary arrest and imprisonment."

3. The committee noted that there was general agreement among the delegations in principle on this matter.

H. Reeducation

1. The French Delegation has proposed (para 3 of Section III, CFM/47/M/57) that the Allied Control Council should establish common principles applicable to reeducation in Germany, the training of German teachers, and the participation of educators of the United Nations.

2. The Soviet Delegation proposed that instead of paragraph 3 of Section III of the French memorandum, paragraph 7 of the decisions of the Potsdam conference be substituted, and that the Allied Control Council be instructed to implement this paragraph 7.

3. The US and UK delegations have not yet taken a position on this matter.

IV. TERRITORIAL REORGANIZATION

1. The Soviet delegation has proposed (CFM/47/M/18)⁶³ that the Council of Foreign Ministers should instruct the Allied Control Council that henceforth territorial changes should only be made with consent of ACC. The US delegation had no objection to this proposal contingent on agreement being reached on provisional government. The French and UK delegations have reserved their positions.

2. The French delegation proposed (Section VII, CFM/47/M/57) that the deputies should be charged with drawing up the list and setting the territorial limits of the States. On this proposal at the present moment issue has not been joined by the other delegations.

(*Note*: Succeeding parts of the Report will be circulated separately when completed ⁶⁴).

CFM Files : Lot M-88 : Box 94 : File-Germany Treaty V

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

Moscow, 27th March, 1947.

DEAR MR. MARSHALL: I am very concerned about the problem of procedure for the preparation of the German Peace Treaty which we discussed yesterday ⁶⁵ and I am very anxious to know your views on the matter. I could not fully understand the American Delegation's proposals as then submitted.

May I give you the background? When we discussed this matter in connexion with the Paris Peace Conference in Moscow in 1945 ⁶⁶ it was emphasised, owing to the words used in the Potsdam Agreement, that we ought to define the countries who had a priority in taking part in the Peace Conference. At that time I was rather in favour, owing to the words of the Potsdam Agreement "for submission to the United Nations", that the Treaties should be submitted to a full conference. I argued then that that implied that the whole treaty had to go to all the countries, but that was opposed and it was said that this was not intended.

When we were in New York ⁶⁷ and the question of the right of hear-

⁶³ Statement made by Deputy Foreign Minister Vyshinsky at the 6th Meeting of the Council, March 15, not printed.

⁶⁴ See CFM (47) (M) 74, March 28, 1947, p. 409.

⁶⁵ Reference to the 14th Meeting of the Council of Foreign Ministers, March 26; see telegram 1030, Delsec 1353, March 26, from Moscow, p. 292.

⁶⁶ For documentation on the Moscow Conference of Foreign Ministers, December 16-26, 1945, see *Foreign Relations*, 1945, vol. II, pp. 560 ff.

⁶⁷ The reference here is to the 3rd Session of the Council of Foreign Ministers, New York, November 4-December 12, 1946; for documentation, see *Foreign Relations*, 1946, vol. II, pp. 965 ff.

ing by the Deputies was under discussion I adhered to the principle that had been laid down in connexion with the other treaties, and this was adopted without dissent.⁶⁸ The definition we then agreed to is now set out in paragraph 2 of Part I of our paper on procedure.⁶⁹

I looked into the matter during the Deputies Meetings in London, and I understood that the countries named in paragraph 2 of Part I, with the exception of Albania, were agreed to by all four Deputies. I therefore recommended my Government to accept this before I came to Moscow, but called attention to Persia in view of our engagement to Persia in the Treaty.

Now, if I understand your proposal, there is to be no priority. Everybody is to be consulted on equal terms and I find a great difficulty in supporting this.

My view would be that we should determine the countries which have the prior claim actually to take part in the Peace Conference. When we have decided this, the same group of countries should be those which would have the advantage of attending and commenting in the way set out in Part II, paragraph 1, with the suggested amendments that I put forward yesterday. But I would bring the U.S.S.R. proposal into the same paragraph and it would then read as follows: ⁷⁰

“Such oral statements will be made in the presence of the representatives of the others of the Allied States entitled to attend the Peace Conference. It will be open to such representatives to make additional comment in writing upon communications from representatives of other Allied States.

In addition representatives of States not represented on the Council will be invited to participate in the discussion and study of questions relating to the German Peace Treaty in which they have a direct interest.”

Paragraph 2 of the Committee's report, I understand, is agreed, but not the following paragraphs about the composition of the Committees and Sub-Committees.

Now as to the wider group of States. It is already agreed by the Deputies in paragraph 3 of Part I that the other Allied belligerent states and the ex-enemy states who have participated with their armed

⁶⁸ Bevin is here referring presumably to item IVa of the Decisions of the Council of Foreign Ministers Respecting Its Next Session, document CFM(46)(NY)74, December 12, 1946, *Foreign Relations*, 1946, vol. II, p. 1557.

⁶⁹ The paper referred to here is the Annex to document CFM(47)(M)60, March 24, 1947, p. 397. The Annex is not printed. It was subsequently somewhat revised by the Deputies for Germany and circulated to the Council as document CFM(47)(M)125, April 12, 1947; for the text, see p. 452. Part I, paragraph 2 of the Annex to CFM(47)(M)60 was identical to the same section in CFM(47)(M)125.

⁷⁰ The first paragraph quoted here is the British proposal; the second quoted paragraph is the Soviet proposal made at the Council's 14th Meeting, March 26. For the original wording of this paragraph as it appeared in the Annex to CFM(47)(M)60, see footnote 17, p. 455.

forces in the war against Germany on the side of the Allies will at an appropriate stage in the preparation of the Peace Treaty be afforded the opportunity to state their views on the German problem orally or in writing to the Deputies or to the Council of Foreign Ministers as the latter may think appropriate. That, I think, should meet them; but I would be willing to try to get agreement to go one stage further and to say in Part II that this group should also be entitled to the information given to members of the Information and Consultation Conference as set out in paragraph 7, and to comment in writing. I do not think that they should be actual members of that Conference, nor do I think it is necessary that they should be called in in the Committee and Sub-Committee work under paragraphs 3 to 6 of Part II.

Finally, as to who should be included in the priority group. You mentioned Mexico and I have mentioned Persia. I would not be averse, in order to get agreement, to adding to the list set out as referred to above, Mexico, Persia or any other agreed limited number of states who rendered effective assistance. This could be met by saying that the States entitled to attend should be neighbouring Allied States and other Allied States who participated with their armed forces, giving the New York list and in addition certain other named states who rendered effective assistance.

I would like you to give this your earnest consideration in the hope that we might find common ground for the Deputies.

Yours sincerely,

ERNEST BEVIN

CFM Files : Lot M-88 : Box 58

*Report by the Coordinating Committee to the Council of Foreign Ministers*⁷¹

SECRET

MARCH 28, 1947.

CFM(47)(M)74

PREPARATION OF THE PROPOSALS IN REGARD TO THE REPORT OF THE ALLIED CONTROL COUNCIL

V. FORM AND SCOPE OF PROVISIONAL POLITICAL ORGANISATION OF GERMANY

1. The Coordinating Committee attach to this report all the proposals of the four Delegations. These are :

Soviet Delegation CFM/47/M/46⁷²

⁷¹ This is a continuation of the Coordinating Committee Report begun in document CFM(47)(M)64, March 26, 1947, p. 401.

⁷² Statement made by Foreign Minister Molotov at the 12th Meeting of the Council, March 22; for the text, see Molotov, *Problems of Foreign Policy*, pp. 391-399; for a summary, see telegram 963, Delsec 1336, March 22, from Moscow, p. 276.

U.S. Delegation	CFM/47/M/49 ⁷³
and	CFM/47/M/27 ⁷⁴
French Delegation	CFM/47/M/40 ⁷⁵
	CFM/47/M/41 ⁷⁶
	CFM/47/M/48 ⁷⁷
and	CFM/47/M/57 ⁷⁸ (Section VIII)
U.K. Delegation	CFM/47/M/39 ⁷⁹

2. This section is very complicated and the Coordinating Committee has not gone fully into all the details. The report contains the principal points of agreement and disagreement.

3. *Central German Administrative Departments*

All Delegations are agreed that, subject to the reservations made below by the French Delegation, central administrations should be established in Germany on the lines indicated by the Potsdam Agreement. They are also agreed that the instructions and directives of German central administrations will pass down directly through German administrative channels. However, the French Delegation makes its agreement on this subject conditional upon the reaching of an agreement on economic unity. On the other hand it is opposed to departments headed by German State secretaries but contemplates councils of the various *Laender* representatives. These councils would in certain cases have executive powers, subject to the veto of the Control Council, and in other cases would be only advisory under quadripartite direction. Finally, the French Delegation considers that the Saar must not fall within the competence of the central administrations referred

⁷³ Statement by the United States Delegation on the form and scope of a provisional political organization for Germany, dated March 22, 1947; for the text, see *Germany 1947-1949*, pp. 189-190, or Department of State *Bulletin*, March 30, 1947, pp. 569-570.

⁷⁴ A proposed directive to the Allied Control Authority for Germany on the treatment of Germany as a single economic unit, tabled by Secretary Marshall at the Council's 7th Meeting, March 17; for the text, see *Germany 1947-1949*, pp. 444-445, or Department of State *Bulletin*, March 27, 1947, pp. 567-569.

⁷⁵ Memorandum by the French Government, dated January 17, 1947, and subsequently circulated to the Council of Foreign Ministers as document CFM(47)(M)40, March 21, 1947; for text, see *Documents Français Relatifs à L'Allemagne (Août 1945-Février 1947)* (Paris, Imprimerie Nationale, 1947), pp. 42-45.

⁷⁶ Memorandum by the French Government, dated January 17, 1947, and subsequently circulated to the Council of Foreign Ministers as document CFM(47)(M)41, March 21, 1947; for text, see *ibid.*, pp. 46-56.

⁷⁷ Statement made by Foreign Minister Bidault at the 12th Meeting of the Council; for the text, see *Déclarations de Bidault*, pp. 29-31; for a summary, see telegram 963, Delsec 1336, March 22, from Moscow, p. 276.

⁷⁸ Dated March 24, 1947, and entitled "Resolutions Proposed by the French Delegation in Connection with the Discussion of the Report of the Control Council", not printed.

⁷⁹ Statement tabled by Foreign Minister Bevin at the 11th Meeting of the Council, March 21, and entitled "Suggested Principles for Development of Future Political Structure of Germany", not printed.

to above, the creation of which must not, besides, prejudice in any respect the final charter of the Ruhr and the Rhineland.

4. *Structure of the Future German Government*

The Soviet, U.S. and U.K. Delegations contemplate the formation of a German Government which will in the first instance be a provisional one. The French Delegation considers that it is premature to consider the establishment of a German Government. The Soviet and U.K. Delegations have submitted detailed proposals for the structure of the future German Government. Both proposals include the idea of a President and two Chambers. There are certain differences however between the two proposals which are revealed in the proposals themselves attached to this report. The U.S. Delegation has presented the basic principles which it believes should govern the formation of the German Government. While it does not object to the form of government proposed by the Soviet and U.K. Delegations, it believes that this question should be decided by the Germans, subject to Allied Control Council approval.

5. *Division of Powers*

The U.S., French and U.K. Delegations consider that residual powers should remain with the *Laender* and that the powers exercised by the Central Government should be strictly limited and defined. The division of powers between the Central Government and the *Laender* is not given in sufficient detail in all proposals to enable a fair comparison to be made between them. The view of the Soviet Delegation is that the division of powers between the Central Government and the *Laender* is a matter to be laid down in the constitution which will be ratified by the German people. The Soviet Delegation wishes to add the following sentences:

“In addition the general position of the Soviet Delegation is as follows: that in its view Hitlerite centralisation of state government should be liquidated, *Landtags* and two German Chambers must be established and a provisional German Government must be created such as to ensure the political and economic unity of Germany and to be responsible for the fulfilment of the obligations of Germany to the Allied States.”

6. *Stages in the Evolution of the Political Organisation of Germany*

The proposals made under this heading by the Delegations are attached. The U.K. Delegation considers that it would have been advantageous if the Coordinating Committee could have made a comparison of the proposals made under this heading by the different Delegations. The U.S. Delegation points out that there is basic disagreement on how the provisional government should be formed.

7. *General*

The U.S. Delegation wishes to draw attention to its proposal that the German constitution include a clause providing that the authority of the Central Government and the *Laender* be exercised in accordance with and subject to the provisions of the peace settlement and the powers reserved to the Allied Control Council.

The French Delegation states that this proposal merits most careful study.

The Soviet Delegation is of the opinion that the Peace Treaty with Germany which will regulate the future relations between the Allied States on the one hand and Germany on the other hand should have the signature of the German Government.

VI. POPULATION TRANSFERS

I. *Proposals of the Soviet Delegation (CFM 47/M/17).*⁸⁰

1. “(1). To guarantee to the official representatives of the Allied countries engaged in repatriation free access to the camps for displaced persons, verification of lists and documents regarding displaced persons, and freedom to conduct conversations with them, etc.”

No agreement has been reached on this proposal.

The position of the U.S. Delegation is as follows: It is the present policy of the U.S. to accept accredited representatives of the Allied countries who do in fact have access to the D.P. camps of the U.S. Zone.

The French Delegation agrees that the Control Council should be invited to put into effect immediately point (i) of para 5 of Section VII 2 of its Report with respect to visits to camps and assembly points.⁸¹ It agrees also that the exercise of this right of visit should be guaranteed to the accredited representatives of the countries concerned.

The U.K. Delegation reserves its general position, adhering to the agreement on the subject in the Control Council Report.

2. “(2) To forbid immediately in the camps for displaced persons any propaganda and agitation hostile to the interests of the Allies or of any of the Allied Powers and likewise to forbid any attempt to prevent displaced persons from returning to their homeland”.

⁸⁰ A statement by the Soviet Delegation on the question of displaced persons in Germany, presented to the Council of Foreign Ministers at its 6th Meeting, March 15, not printed.

⁸¹ The reference here is to the Report to the Council of Foreign Ministers from the Allied Control Authority for Germany, Section VII—Population Transfers, Part 2, paragraph (5) “Agreements Already Reached”. Sub-paragraph (i) was concerned with the freedom of access to displaced persons camps in Germany by representatives of nations whose citizens were in such camps.

All Delegations agreed to recommend to the C.F.M. to instruct the Allied Control Council to implement immediately sub-paras (ii) to (v) inclusive of para 5 of Section VII 2 of its Report.⁸²

In this connexion the U.S. Delegation refers once more to its statement in para 1 above with reference to the International Refugee Organisation.

3. "(3) To disband immediately all "Committees", "centres and other organisations in the western zones of occupation in Germany which are engaged in activity hostile to the interests of any of the Allied Powers."

No agreement has been reached on this proposal.

The U.S. Delegation is prepared to consider and study the Soviet proposals to see if language could be agreed upon which would permit D.P.s to organise and still not become organisations hostile to the Allied Powers. For the time being it is necessary to reserve the U.S. position on this proposal.

The French Delegation declares that it is ready to accept the Soviet proposal with the reserve that the words "which are engaged" should be replaced by the words "when they are engaged".

The U.K. Delegation states that while there is not necessarily disagreement on the principle contained in this proposal final agreement will depend upon the precise drafting of any resolution arising from it.

4. "(4) To forbid any kind of enlistment whatsoever of displaced persons in semi-military organisations (guard units, guard companies, etc.) now in existence or being formed in the territory of the western zones of Germany, and to release those displaced persons who already belong to such organisations."

All Delegations agree that the decision on this point will depend on the decision which may be taken on the corresponding point in the section on Demilitarisation.

5. "(5) To provide that the administration of the camps for displaced persons shall consist primarily of the representatives of States whose citizens are among the displaced persons."

No agreement has been reached on this proposal.

It is the view of the U.S. Delegation that this question is a problem for the I.R.O.

⁸² The sub-paragraphs under reference forbade, in displaced persons camps, all propaganda against United Nations interests or against repatriation; confirmed the free distribution of newspapers, magazines, etc., in displaced persons camps and the unrestricted use by displaced persons of international communications; endorsed the continuation of the work of organizations tracing United Nations displaced persons and prisoners of war; and approved the continuation of the census and registration of the property and belongings of displaced persons.

The French Delegation cannot accept the Soviet proposal. It reserves its point of view on the role which can be entrusted to I.R.O.

The U.K. Delegation cannot at this time agree to the Soviet proposal.

The Soviet Delegation opposes the U.S. proposal.

6. "(6) To transfer under guard military criminals in the camps for displaced persons to the military command of the countries concerned."

All three Delegations agree in principle to this proposal.

The U.S. and U.K. Delegations give their agreement subject to the production of satisfactory evidence that the individuals whose transfer is requested are in fact war criminals.

7. "(7) To form a special quadrilateral committee for investigating the situation in the camps for displaced persons located in the American, British and French Zones of occupation, in order to ascertain the desire and intention of these persons to return to their homeland."

No agreement was reached on this proposal.

The U.S. Delegation supports the view that I.R.O. should take over the investigation of D.P. camps proposed in the para 7 if it is necessary to have such an investigation.

The French Delegation considers that the right of visit granted to the accredited representatives of the countries concerned should give adequate guarantees. For this reason it does not believe it indispensable to create a special quadripartite commission.

The U.K. Delegation has this question under consideration. It cannot at this time agree to the Soviet proposal.

II. *Proposals of the French Delegation (CFM/47/M/57, Sec. IV)*

1. "1). No new transfer of German-speaking populations shall be effected in addition to those already decided upon by previous agreements.
"2). In so far as the consent of the States concerned can be obtained, the transfers still to be executed under the Potsdam Agreements shall be suspended."

The Soviet Delegation does not agree with these French proposals.

The U.S. and U.K. Delegations reserve their positions pending the completion of a further study of these problems in which they are prepared to participate.

2. "3). The Control Council shall accelerate the voluntary repatriation of displaced persons who are now in Germany. Permanent settlement of such persons in German territory shall not be authorized. Resettlement outside of Germany of persons whom it has been impossible to repatriate shall be encouraged."

The Soviet Delegation agrees with this French proposal.

The U.S. Delegation agrees in principle with the desirability of accelerating voluntary repatriation of Displaced Persons, and with their resettlement outside Germany to the extent that provision is made therefor. It believes the I.R.O. should be charged with this responsibility.

The U.K. Delegation agrees with the first and third sentences but not with the second sentence. It recognizes that the permanent establishment of these persons in Germany is undesirable, but thinks it may prove to be in some measure unavoidable.

3. "4). German emigration shall be organized. To this end, a conference of the qualified representatives of the Four Occupying Powers shall be convoked before July 1, 1947, in Paris. To the extent that it shall deem useful, this conference can invite the representatives of other States and in particular those which are in a position to receive German emigrants into their territory."

The Soviet Delegation does not agree with this French proposal.

The U.S. Delegation reserves its position pending further study which it considers necessary.

The U.K. Delegation has not yet taken up its position on this point.

III. *Proposal of the U.S. Delegation (based on CFM/47/M/19⁸³)*

"that the whole problem of Displaced Persons be not discussed in detail by the Council of Foreign Ministers but be referred to the I.R.O."

The Soviet Delegation does not agree with this proposal, considering that the questions of resettlement and redistribution of the Displaced Persons which fall under the competence of the Control Council in Germany are included within the competence of the Council of Foreign Ministers and that there are no reasons to exclude these questions from the competence of the Council of Foreign Ministers and the Allied Control Council. On the contrary, the I.R.O. cannot deal with such questions. According to the terms of reference of the I.R.O. (which is attached to the U.N.O.) to which the Soviet Government has not adhered only purely humanitarian and not political aims fall under the competence of this organization as has been officially stated by the founders of the organization.

The French and U.K. Delegations reserved their positions.

⁸³ Text of a statement on displaced persons made by Secretary Marshall at the 6th Meeting of the Council, March 15; for the text, see Department of State *Bulletin*, March 23, 1947, p. 526.

IV. *Proposal of the Soviet Delegation (Supplementary Proposal)*

"The Council of Foreign Ministers instructs the Allied Control Council as follows:

'in view of the fact that each occupation power had the opportunity to complete in full the repatriation of Displaced Persons and Refugees to their countries of origin after the capitulation of Germany, it should be prohibited to charge any expenses incurred for the maintenance of Displaced Persons and Refugees to German account or to the account of occupation forces as of 1 January 1947.'

The U.S. Delegation reserves its position but points out that in its opinion the pressure on the German economy would be more effectively relieved by stopping the influx of additional refugees into Germany.

The French and U.K. Delegations reserve their positions.

There was agreement that this proposal should be reported to the Council of Foreign Ministers.

V. *Proposals of the U.K. Delegation*

"1). The Control Council shall study further the whole question of the transfers of population into Germany with a view to directing to the areas best able to receive them those populations whose transfer to Germany is still to be expected. Account shall be taken in this study of the situation existing in each zone, the contribution already made by each Zone Commander to the solution of the problem and the commitments still outstanding.

"2). The Control Council shall carry out a redistribution of refugees and expellees already transferred to the various zones of Germany, in order to effect a more equitable and more even settlement. A German commission shall be established to study this question. This commission shall be accorded freedom of action and of movement throughout Germany as a whole and shall be responsible for the implementation of its own recommendations subject to the rights of the governments of the *Laender* being safeguarded and subject to general supervision of the Control Council."

All Delegations agreed to forward these U.K. proposals to the Council of Foreign Ministers, considering it impossible at the present time to define their positions with regard to these proposals, which have not been discussed.

VII. ECONOMIC PRINCIPLES

PREAMBLE

The position of each Delegation with respect to each specific proposal is dependent upon reaching agreement as a whole on the related problems of the level of industry reparations, and the treatment of Germany as an economic unit.

The French Delegation adds the following reservations: It cannot agree to any settlement of these three questions without prior settlement of the question of the export of coal in conformity with the demands of the French Government. The French Government repeats that it is ready to accept that Germany should be treated provisionally within its present borders as an economic unity without awaiting the determination of the future status of the Ruhr and Rhineland or prejudging the political and economic regime of those regions, and on the condition that the Saar should immediately be incorporated in the economic and monetary sphere of France.

The Soviet Delegation declares that it approaches the consideration of economic principles in an organic connection with the question of reparations to which, as was stated by the head of the Soviet Delegation, the Soviet Government attaches paramount importance. In considering separate proposals advanced by various delegations concerning economic principles and especially with regard to reparations, the Soviet Delegation sees a series of points on which it can find a common solution of questions, only, however, having in view that it will meet reciprocity in the question of reparations to which it attaches a special importance.

1. *Common Sharing of Resources*

All delegations are agreed in principle that there should be a sharing of indigenous resources in Germany and that commodities in short supply should be allocated on a basis of uniform rations. Agricultural production shall be maximized and industry reactivated on peaceful lines as soon as possible and imports into Germany shall also be used on a common basis.

2. *Export-Import Plan*

All delegations agree in principle that there should be a common export-import plan. The U.S. and U.K. Delegations believe that the proceeds of all exports from current production and stocks should be used in the first place to pay for imports.

The Soviet Delegation considers that proceeds from exports must be used also for procurement of imports necessary for securing production of goods for reparations.

The French Delegation reserves its position on the Soviet proposal until the question of reparations from current production has been examined.

3. *Sharing of Import Deficits*

The U.K. and the U.S. Delegations express the view that there should be an equitable sharing among the occupying powers of the costs of the occupation of Germany, past, present, and future.

The French Delegation states that the common plan for exports and imports, to be implemented in 1948, should provide for equilibrium in the balance of payments. It believes that the future surpluses should cover the authorized costs of occupation, the past deficits of the balance of payments, and such reparations from current production as may result from the study of that question which was requested by the French Delegation.

The Soviet Delegation is of the opinion that only the future relationship between exports and imports can be considered and not the repayment of past and present deficits. Furthermore, the Soviet Delegation considers that the German economy should be established on the principle of a net balance, i.e., not showing any deficit.

4. *Financial Reform*

All Delegations are agreed that financial reform shall be effected throughout Germany as soon as possible. The agreement of the Soviet Delegation is based upon acceptance of the principle that the plan for financial reform must provide the funds necessary for reparation and costs of occupation.

5. *Subjection of Resources in Germany to German Law*

All Delegations agree that foreign-owned property in Germany is subject to German law and that Allied Control Council approval shall be required in the future for all acquisitions of property in Germany by foreign States or their nationals. The U.S., U.K. and French Delegations believe that this provision should be retroactive to the date of the surrender of Germany. The Soviet Delegation declares that it is not in agreement with the extension of this provision to past acquisitions of property in Germany which were made in connection with reparations receipts. The French Delegation reserves its point of view in regard to the future regime of Ruhr industries.

6. *Occupation Forces and Their Requirements*

The proposals of the U.S. Delegation ((CFM) (47) (M)27, para. B5 and (CFM) (47) (M)51⁸⁴) on these subjects are under examination by the other delegations but the issues involved have not been joined.

7. *Freedom of Movement*

No agreement has been reached on the proposals of the Delegations of the U.K. and the U.S. (CFM) (47) (M)47,⁸⁵ para. 3B and (CFM) (47) (M)27, para C.

⁸⁴ Not printed.

⁸⁵ The document under reference was a proposal by the United Kingdom Delegation on economic principles for Germany, dated March 22, 1947, not printed. The specific paragraph under reference here called for unrestricted freedom of movement throughout Germany and the removal of economic barriers between zones.

8. *Control of the Ruhr*

All Delegations agree that the authority of the Allied Control Council should extend over the resources of the Ruhr as well as those of all other areas of Germany when economic unity has been attained.

The Soviet Delegation considers that a quadripartite control of the Ruhr industrial region which forms the main basis of German militarism must be established, and that this is one of the most important conditions for the solution of the question of the economic unity of Germany.

This report does not prejudice a separate discussion of the internationalization of the Ruhr at the proper time on the Council of Foreign Ministers agenda. The French Delegation desires to see this regime established as soon as possible.

9. *Annullment of the Bi-Zonal Agreement*

The Soviet Delegation proposes the immediate annulment of the bi-zonal agreement between the U.K. and U.S. zones of occupation. The U.S. and the U.K. Delegations state that the agreement will remain in effect until the economic unity of Germany has been achieved.

10. *Economic Decentralization and De-cartelization*

All Delegations are of the opinion that the principles of de-cartelization and economic decentralization agreed at the Potsdam Conference should be carried out. Complete agreement has not been reached by the four Delegations on concrete measures for the implementation of this program.

In expressing agreement with the above statement, the Soviet Delegation considers that the proposal which comes closest to the Potsdam Agreement is contained in the Soviet draft proposal Document C.F.M. (47) (M) 23,⁸⁶ paragraph 6.

The proposals of the Soviet, French and U.K. Delegations are presented below :

By the Soviet Delegation (CFM(47) (M) 23, para. I 6 (p. 15))

“To propose to the Control Council that necessary measures be adopted for the taking over of mills and other enterprises from German concerns, cartels and trusts, and for the transfer of these enterprises to the ownership of the German state. Democratic parties and free trade unions of Germany shall be called upon for the carrying out of these measures.”

By the French Delegation (CFM(47) (M) 57, para. IV 6)

⁸⁶ A statement made by Foreign Minister Molotov at the 7th Meeting of the Council, March 17; for the text, see *Documents on International Affairs, 1947-1948*, pp. 427-439, or Molotov, *Problems of Foreign Policy*, pp. 359-378. For a summary, see telegram 856, Delsec 1308, March 17, from Moscow, p. 255.

“6) The Control Council shall take the following steps in the field of decartelization:

- ‘(a) establishment of a list of the principal trusts which shall be automatically eliminated in the four zones;
- ‘(b) determination of the characteristics according to which the other trusts may be brought before a quadripartite liquidation commission;
- ‘(c) appropriate measures to avoid reconstitution of the trusts which have been liquidated and the creation of new trusts;
- ‘(d) limitation or elimination of the cartels under the terms provided for by United Nations economic organizations;
- ‘(e) exceptions to the rules thus established as regards trusts and cartels under a quadripartite agreement in favor of the undertakings or establishments managed or controlled by the Allies.’”

By the U.K. Delegation (CFM(47)(M)47, Economic Principles, para 6)

“That measures for the breaking up of concentrations of economic power, as exemplified by cartels, syndicates, trusts and other arrangements, shall be hastened; and that the socialisation of certain industries shall be regarded as one method of carrying this out.”

11. *Allied Control Over Internal Allocations in Germany*

The Soviet Delegation agrees with the French proposal for strengthening Allied control over the distribution and use of coal, power and steel in Germany. It considers it necessary to add that allocation of coal for internal consumption, for reparation and for export should be exercised through the Allied Control Council. Furthermore, with respect to the supply of coal the problems of internal consumption, reparations and exports are organically inter-related, and their consideration in close relationship forms one of the conditions for securing economic unity for Germany.

The U.S. and U.K. Delegations agree with the French proposal in principle with the reservation that detailed arrangements shall preserve a substantial measure of autonomy for the German administrative agencies charged with allocations.

12. *Central Administrative Agencies*

This subject will be treated in the section concerning the Provisional Government of Germany.

The proposals discussed above are included in the following CFM documents:

CFM(47)(M)23
“ “ “ 27
“ “ “ 47
“ “ “ 51
“ “ “ 57

VIII. THE LEVEL OF POST-WAR GERMAN ECONOMY AND REPARATIONS PLAN

A. *Level of German Post-War Economy*

1. The four Delegations agree on the necessity of a revision of the plan for reparations and the level of German post-war economy.

The agreement of the U.S. and U.K. Delegations pertains only to such changes in the proposed removals of capital equipment as may be necessitated by such revision of the level of industry plan as is agreed.

The United Kingdom and French Delegations agree that the guiding principles of this revision should be fixed by the Council of Foreign Ministers.

The Soviet Delegation considers that it is necessary to provide for raising the level of German industry, so that the annual production of steel will in the very near future reach ten to twelve million tons. The United Kingdom Delegation considers that annual steel production in Germany should eventually be brought up to ten million tons; and that the limits on the capacity to be left in Germany of other restricted industries shall be subject to upward adjustments; and that the list of prohibited industries shall be reviewed.

The French Delegation considers that the annual capacity of steel production should be fixed at approximately the figure provided for in March, 1946.

The United States Delegation is not in a position to determine the exact figure for steel production for the time being.

The Soviet Delegation feels that this revision should take into account a program of reparations from current production. The United Kingdom and United States Delegations do not agree to this proposal.

2. The four Delegations agree to direct the Control Council to complete the revision of the plan for Reparations and the level of post-war German economy before July 1, 1947, to set up within a three-month's period after the completion of this revision lists of factories to be retained in the four zones. The plants thereby made available for reparations shall be immediately closed in the four zones. The United States view is that all plants other than those referred to in the lists above are to be removed. The acceptance of the proposed dates by the United Kingdom Delegation is dependent upon a satisfactory revision of the plan for reparations and the level of post-war German economy.

3. The United Kingdom and United States Delegations agree that the rehabilitation of German industry shall be effected on a progressive plan having due regard to the necessity of exporting coal to the

liberated countries. In particular the rate by which steel production is increased shall be determined in relation to the need for coal exports provided that the burden of cost on the occupying powers is not increased as a result [of?] this consideration.

The French Delegation favors this proposal provided that its implementation would be such as to satisfy French claims, formulated as an absolute condition, with regard to coal exports.

The Soviet Delegation accepts the British proposal with an addition: "it is recognised that deliveries of coal on account of reparations are necessary".

B. Reparations

1. The four Delegations agree to direct the Control Council to determine within three months following the completion of the Plan for Reparations and the Level of Post-war German Economy to establish the lists of the plants and the amount [of?] equipment taken away or to be taken away within the four zones as reparations.

2. The Soviet and French Delegations are of the opinion that the Control Council should be instructed to allocate, aside from complete plants, separate pieces of equipment to be taken from the plants that are retained. The United Kingdom and United States Delegations reserve their position.

3. The four Delegations agree to fix a time limit for the completion of the program of reparations from industrial capital equipment. The United Kingdom and United States Delegations consider that this time limit can be fixed only after a study by the Control Council. The Soviet Delegation considers that this time limit should be fixed by July 1, 1948. The French Delegation suggests December 31, 1948.

4. The Soviet Delegation proposes to utilize for the coverage of reparation annual deliveries of goods from current production.

The French Delegation proposes a study of a program of reparations from current production, taking into account the repercussions of this program on the amounts of German coal available and also on the war potential and the balance of accounts.

The United Kingdom and United States Delegations do not agree to reparations from current production; they are not authorized to accept a study of the question.

The acceptance of reparations from current production is an absolute condition of the Soviet Delegation's acceptance of the principle of the economic unity of Germany.

5. The Soviet Delegation considers that various services should be utilized as coverage for reparations.

The French Delegation considers that the Council of Ministers should study the possibility of reparations in services and other items.

The United Kingdom and United States Delegations reserve their position.

The United States Delegation adds that it is opposed to the use of labor for reparations except after trial and sentence of war criminals under due process of law.

The French Delegation reserves its position in order to show that a mechanism can be devised to utilize services without loss of individual rights.

6. The Soviet Delegation considers that it is necessary to assert reparations for the U.S.S.R. to the extent of ten billion dollars and the Soviet Union will satisfy the reparation claims of Poland from its share.

The Soviet Delegation considers it necessary to determine that the reparations obligations of Germany must be fulfilled in the course of twenty years counting this period from the date of publication of the decisions of the Berlin Conference of the Three Powers.

Owing to the position taken with regard to reparations from current production, the United Kingdom and United States Delegations feel that it is unnecessary for them to comment on the sum and time period for reparations.

The French Delegation reserves its position pending the completion of the study provided in that proposal on reparations from current production, services and other items.

In connection with the positions of the United States and United Kingdom Delegations with regard to reparations from Germany the Soviet Delegation considers it necessary to make the following statement:

1. At the Yalta Conference the U.S.A. agreed to adopt as a basis for the discussion the proposal that the amount of reparations to the Soviet Union be established at 10 billion dollars. As it can be seen from the Yalta Protocol the American Delegation did not object against discussing the said amount as a basis for the establishment of the volume of reparations to be paid to the Soviet Union. On the contrary, it has agreed to this proposal.

2. It is quite logical, while speaking about the sum of reparations to be established at 10 billion dollars, to determine simultaneously the term of reparations payment.

3. At the Yalta Conference, as it can be seen from the Protocol issued by it, the United States and United Kingdom Delegations agreed that the annual deliveries of goods from the current production should constitute a source of reparations from Germany. Attempts to base the refusal to make any reparations from the current production on the fact that the Berlin decisions annulled the Yalta agreement cannot of course be considered as founded if only due to the fact that the Berlin decisions state that agreement with regard to reparations was reached in accordance with the decisions of the Crimea Conference,

and with the purpose of fulfilling the decisions of this conference with respect to Germany. Such a reference to the Yalta Conference makes unnecessary any mention of different concrete points of the Yalta agreement with regard to reparations. If the Berlin decision contains no mention of reparations from the current production we cannot explain this fact as a rejection of such a principal position with regard to reparations. The question concerning current production was not practically discussed at Berlin. Special attention was paid to the removals of equipment. The Soviet proposals with regard to reparations are justified by moral, political and juridical principles.

The head of the United States Delegation has expressed his view on this subject before the Council of Foreign Ministers. (See Document CFM/47/M/30)⁸⁷

7. The Soviet and French Delegations propose that the Inter-Allied Reparations Commission, consisting of representatives of the United Kingdom, United States, France and the Soviet Union be reactivated. The United Kingdom and United States Delegations do not consider it necessary to reactivate the Inter-Allied Reparations Commission.

8. The U.K. Delegation proposes that each of the Occupying Powers shall provide for the Council of Foreign Ministers information on the type and amount of reparation removals from its zone up to the present date and regularly thereafter to the Control Council.

The United States and French Delegations agree with the British proposal.

The British proposal can be accepted by the Soviet Delegation if agreement is reached on the basic reparations problems. At the same time the Soviet Delegation proposes to amend the text as follows:

"That each of the Occupying Powers shall provide for the Council of Foreign Ministers information on the type and amount of reparation removals and receipts from its zone and also the external assets discovered or seized up to the present date and regularly thereafter to the Control Council."

9. The United Kingdom, United States and Soviet Delegations agree, if the determined plan for the delivery of reparations is regularly fulfilled, to consider it possible not to put any obstacles in the way of the increase of production of the German peace-time industry, both for the domestic consumption of Germany and for the development of trade with other countries. The French Delegation reserves its point of view.

10. The United States proposes that the Council of Foreign Ministers direct the Deputies to the Foreign Ministers to recommend to the next (fifth) Session of the Council methods for compensation to the

⁸⁷ A statement made by Secretary Marshall at the 8th Meeting of the Council, March 18; for the text, see *Germany 1947-1949*, pp. 371-372, or *Department of State Bulletin*, March 30, 1947, p. 564.

United Nations nationals whose property has been or will be removed as reparation or war booty. In no case shall compensation be permitted for United Nations nationals owning interests in German enterprises organized exclusively for war production. The United Kingdom and French Delegations agreed subject to confirmation. The Soviet Delegation considered that the proposal requires study.

CFM Files : Lot M-88 : Box 94 : File—Germany Treaty V

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

Moscow, March 30, 1947.

DEAR MR. BEVIN: I have received your letter of March 27⁸⁸ concerning procedure for the preparation of the German peace settlement. I believe that since your letter was written I have made clear the views of the American Delegation on this question when it came up at two of our CFM meetings.

Of course I was not at Moscow in 1945 or at the New York meeting of the CFM last November and December. The interpretation you put on the decisions of those two meetings, however, is at variance with the understanding of the American advisers who were present and with the American Delegation minutes. Mr. Byrnes, I understand, at Moscow confined his efforts to obtain Soviet concurrence to the holding of a peace conference for the Italian and satellite treaties. His agreement to a conference of twenty-one named states for those treaties involved no commitment of any kind in regard to the German settlement. At New York, I am told, and the record of decisions (Document CFM/46/NY/74⁸⁹) seems to bear this out, that discussion was limited solely to the question of states to be invited to present their views to the Deputies for Germany at London *prior* to the present Moscow conference. At no time, according to our records, was there any discussion of the basis of participation in any future peace conference on Germany. In fact, consideration of questions of procedure with regard to the German peace was one of the tasks specifically assigned the Deputies in London.

As to the future, I believe that we must visualize several stages and several forms of consultation. If we can agree here, I believe that the next step for our Deputies after the Moscow meeting, in such tasks connected with the preparation of the German peace as may be assigned to them, is to consult with other states. This consultation, as

⁸⁸ *Ante*, p. 407.

⁸⁹ *Foreign Relations*, 1946, vol. II, p. 1557.

we see it, would take two forms. We have agreed to the establishment of four "permanent committees" and appropriate subcommittees, as provided in Paragraphs 2 and 5 of Part II of the Report on Procedure for the Preparation of the German Peace Treaty (CFM/47/M/60⁹⁰). It is our thought, and I believe you agree, that these committees and subcommittees will be the working parties actually engaged in the drafting of the peace settlement. On these four permanent committees and their subcommittees we feel that in addition to the four Powers represented here, there should be, as your Deputy originally suggested, a "convenient number" of additional representatives of the eighteen states which are neighbors of Germany or which participated with their armed forces in the war against Germany, namely, the eighteen invited to present their views at London prior to this conference. We believe that each of these eighteen states should be represented on at least one of these working committees.

We have agreed also that there should also be set up an Information and Consultation Conference, the functions of which are set forth in Paragraph 7 of Part II of the Report of our Deputies. We believe that with this body all states at war with Germany should be associated and given an opportunity to present their views and in turn to be kept informed of the progress of the work of the Council, the Deputies, and the permanent committees. This broader participation is, I believe, similar to what you had in mind in your references to "the wider group of states" to be consulted under Paragraph 3 of Part I of the Deputies' Report. It is the form of consultation I visualize for the other states at war with Germany during the period prior to the Peace Conference.

As to participation in the Peace Conference itself, I have urged, as you may recall, that all states at war should be accorded full and equal rights as members of the conference. However, I recognize that there is some difference between the four of us on this question and that it will be extremely difficult to arrive at an agreement on this question here in Moscow. Since such a Peace Conference is under most favorable circumstances many months off, I feel that the question of membership therein may well be left for future consideration.

As to your suggestion that Iran and Mexico be included in the "priority group" of states, I am afraid that I cannot agree. We have taken as the basis for associating this group with us in our work of preparing the peace settlement two criteria, namely, Allied states which are neighbors of Germany, and those which "participated with their armed forces" in the war against Germany. I do not see how we

⁹⁰ The annex to document CFM(47)(M)60, March 24, 1947, under reference here, is not printed. For the subsequent redraft of this Report, see document CFM(47)(M)125, April 12, 1947, p. 452.

can well make exceptions to these criteria. I mentioned Mexico at the CFM table as an example of the states at war with Germany which I felt were entitled to participate in the work of the Information and Consultation Conference and to participation in the Peace Conference.

I hope the foregoing may help to clarify in your mind the position of the American Delegation with regard to the points raised in your letter and that we will find a basis for common agreement.

Faithfully yours,

[GEORGE C. MARSHALL]

CFM Files : Lot M-88 : Box 58

*Report of the Special Committee to the Council of Foreign Ministers*⁹¹

SECRET

2nd April, 1947.

CFM(47)(M)93

DRAFT DECISIONS OF THE COUNCIL OF FOREIGN MINISTERS ON THE
REPORT OF THE ALLIED CONTROL COUNCIL FOR GERMANY

I. AGREED RECOMMENDATIONS⁹²

The Special Committee agreed to recommend to the Council of Foreign Ministers the following action on the points mentioned :

Denazification:

The Council of Foreign Ministers directs the Control Council for Germany as follows:—

1. To take all appropriate measures to hasten the process of Denazification throughout Germany in accordance with Control Council Directives Nos. 24 and 38.

2. To complete as soon as possible the removal of former active Nazis and militarists from public and semi-public office and from positions of responsibility in important private undertakings and to study the possibility of fixing a date for the completion of this process.

3. To take all measures necessary to ensure that only those individuals are employed in a judicial capacity or as public prosecutors who are considered by reason of their political and moral qualities to be capable of assisting the development of genuine democratic institutions in Germany.

⁹¹ This Report was considered by the Council of Foreign Ministers at its 20th Meeting, April 3; see telegram 1188, Delsec 1390, April 3, from Moscow, p. 307. Regarding the Council's actions on the various parts of this Report, see the following footnotes.

The Special Committee had been established and instructed by the Council of Foreign Ministers at its 17th Meeting, March 30; see telegram 1093, Delsec 1367, March 30, from Moscow, p. 297.

⁹² The Council approved in principle this section of the Report, but the Delegations reserved the right to express a definite opinion on this section after agreement had been reached on the document as a whole.

4. To concentrate upon and to hasten the bringing to trial of war criminals, members of Nazi criminal organisations and of active supporters of the Nazi regime, without requiring the indiscriminate trial of the mass of nominal members of the Nazi Party.

5. To take action in the near future through Zone Commanders to devolve upon the appropriate German authorities responsibility for carrying out Control Council Directives Nos. 24 and 38, by passing the necessary German legislation and to ensure through the Zone Commanders that the effect of the legislation so passed is such as to produce uniform treatment of all former Nazis and militarists corresponding to their degree of responsibility, while at the same time giving the German authorities discretion as to the precise methods by which they carry out this task.

Democratization:

The Council of Foreign Ministers directs the Control Council for Germany as follows:—

Elections: 1. To ensure quadripartite supervision and inspection of elections throughout Germany as a whole.⁹³

Land Reform: 2. To ensure the carrying out and completion of land reform throughout Germany in 1947.

Circulation of Information: 3. To establish freedom for the circulation throughout Germany of information and democratic ideas by all media, limited only by the needs of military security and occupation requirements and for the prevention of resurgence of National Socialism and militarism. All such media of information shall be free from the domination of any German Government, national or local.⁹⁴

Basic Human Rights: 4. To ensure that any future constitution for Germany as a whole and, through the Zone Commanders, that every state (*Land*) constitution in Germany contains specific and effective guarantees of the rights of the individual regardless of race, sex, language, or creed, including freedom of religion, freedom from search, seizure and arbitrary arrest, freedom of speech, assembly and association, freedom of movement and communication, the equality of all before the law and the courts, equal rights for education and of access to all employments, and also effective guarantees for freedom of the press and radio, and for independence of the judiciary.⁹⁴

Population transfers: ⁹⁵

1. The Council of Foreign Ministers confirms the agreements reached by the Allied Control Council for Germany recorded in Section

⁹³ The Council agreed to submit this paragraph together with a reservation by the Soviet Delegation to the Special Committee for further consideration (CFM (47) (M) 64, March 26, Section III, paragraph C, p. 401).

⁹⁴ The Council agreed to refer these paragraphs to the Special Committee to consider the possibility of their consolidation into one and to submit a new draft.

⁹⁵ The Council agreed to discuss this question at a date to be fixed later.

VII, Part 2, paragraph 5, of its Report under the title *United Nations Displaced Persons* as follows :

(a) Accredited representatives of interested nations whose citizens are still in camps and assembly centres allotted to Displaced Persons should have the right to visit these places when accompanied by officers of the occupation forces for the purpose of conferring with these persons.

(b) All propaganda directed against United Nations interests or against repatriation will be forbidden in Displaced Persons Camps.

(c) Distribution of newspapers, magazines and pamphlets published and printed in the countries of which Displaced Persons are citizens shall be allowed in Displaced Persons Camps. The exhibition of films produced in their native countries shall be permitted in Displaced Persons Assembly Centres after approval by proper Allied Control Authority Agencies. These Displaced Persons shall also be allowed unrestricted use of international communications facilities to correspond with their relatives and acquaintances in their home countries. The accredited repatriation Liaison Officers of the United Nations may carry between the Zones and their home countries letters from United Nations Displaced Persons.

(d) Organisations established for carrying on the humanitarian task of tracing missing United Nations Displaced Persons and Prisoners of War shall be continued and that all such organisations should instruct German Authorities to furnish all necessary facilities required by such organisations.

(e) Arrangements should continue for the census and registration of all property and belongings of United Nations Displaced Persons and that the German Authorities should be instructed to continue to give all possible assistance towards the legitimate return of this property with the minimum of delay.

(f) Arrangements should be continued for the repatriation of the remains of deceased United Nations nationals upon request of the countries concerned and that the German Authorities should be instructed to continue to grant all necessary facilities for such purposes.

(g) Arrangements should continue for the care and maintenance by the German Authorities of the graves of United Nations nationals who died in Germany.

2. Council of Foreign Ministers agrees upon the following principles with reference to United Nations Displaced Persons in Germany and to population transfers.

(a) Any war criminals found in Displaced Persons Camps are to be turned over under guard to the Military Command of the countries concerned upon due request and upon production of satisfactory evidence that the individuals whose transfer is requested are in fact war criminals.

(b) All "Committees", "Centres", and other similar organisations which may be found to be engaged in activities hostile to the interests of any of the Allied Powers will be immediately disbanded.

(c) The voluntary repatriation of Displaced Persons who are now in Germany will be accelerated.

(d) Control Council shall study further the whole question of the transfers of population into Germany with a view to directing to the areas best able to receive them those populations whose transfer to Germany may be decided in the future. Account shall be taken in this study of the situation existing in each zone.

The recommendations and decisions confirmed or taken by the Council of Foreign Ministers are transmitted to the Control Council for Germany and to the Commanders-in-Chief of the occupation forces of Germany for appropriate action within their spheres of competence.

II. POINTS OF DISAGREEMENT

The Special Committee was unable to reach complete agreement on the following questions, (divergencies of opinion of the various Delegations are shown in square brackets) :—

Democratization:

Political parties and trade unions: 1. The Council of Foreign Ministers confirms the principle of free development and activities of democratic political parties and free trade unions in Germany, [even on an all-German basis. U.S., U.K., Soviet]. [within the frame of the *Laender*. French]. [Political parties shall be competitive in character, constituted by voluntary associations of citizens in which the leaders are responsible to the members, and with no party enjoying a privileged status. Trade unions shall be subject to the same principle of responsible leadership, and any federation of trade unions shall not impair the financial and organisational autonomy of member unions. U.S., U.K.] [The questions pertaining to the relations between a trade union federation and its members are internal affairs of the trade unions. Soviet].

Elections: 2. To ensure that elections throughout Germany as a whole are carried out on the democratic principles of universal equal and direct suffrage and the secret ballot [and on the system of proportional representation. Soviet]

Freedom of movement: 3. The Committee has not discussed proposals for freedom of movement throughout Germany inasmuch as this matter is closely connected with the whole problem of economic unity on which decisions are awaited from the Council of Foreign Ministers.

Education: 4. The Delegations could not agree to the desirability of a new Directive on this matter (Education) nor upon its form.

Territorial Reorganization:

The Council of Foreign Ministers directs the Control Council for Germany:

1. To establish a precise definition of the administrative and territorial division of Germany as of May 1, 1947, indicating the existing territorial boundaries of lands and provinces. [The British Delegation considers that this recommendation is closely linked with the second under this heading and cannot be accepted in isolation.].

2. To ensure that in the future all territorial changes in Germany are made only in accordance with an agreed decision of the Allied Control Council. [Contingent upon agreement being reached on the establishment of provisional governments. [U.S.]]. [To study the present boundaries of the *Laender* and to examine the desirability of making modifications. All proposals on this question will be presented to the Council of Foreign Ministers at its next session. French].

Population transfers:

(a) Resettlement outside Germany of persons whom it has been impossible to repatriate shall be encouraged [to the extent that provision is made therefor. U.S.]. [Permanent settlement of Displaced Persons on German territory shall not be authorised. Soviet and French.].

(b) *Soviet proposal*:—To provide that the administration of the Camps for Displaced Persons shall consist primarily of the representatives of states whose citizens are among the Displaced Persons.

The U.S., U.K., and French Delegations did not agree with this proposal.

(c) *Soviet proposal*: To form a special quadripartite committee for investigating the situation in Camps for Displaced Persons located in the American, British and French Zones of occupation, in order to ascertain the desire and intention of these persons to return to their homeland.

The U.S., U.K. and French Delegations did not agree with this proposal.

(d) *French proposals*: (1) no new transfer of German-speaking populations shall be effected in addition to those already decided upon by previous agreements. (2) Insofar as the consent of the states concerned can be obtained, the transfers still to be executed under the Potsdam Agreements shall be suspended.

The U.S., U.K. and Soviet Delegations did not agree with this proposal. The U.S. and U.K. Delegations, however, are prepared to examine sympathetically these French proposals.

(e) *French proposal*: German emigration shall be organised. To this end a conference of the qualified representatives of the four occupying powers shall be convoked before July 1, 1947 in Paris. To the extent that it shall deem useful this conference can invite repre-

sentatives of other states and in particular those which are in a position to receive German emigrants into their territory.

The U.S., U.K. and Soviet Delegations did not agree to this proposal. The U.S. and U.K. Delegations, however, are prepared to examine sympathetically this French proposal.

(f) *U.S. proposal* (based on C.F.M. (47) (M) 19) that the whole problem of Displaced Persons be not discussed in detail by the Council of Foreign Ministers, but be referred to the I.R.O.

The Soviet Delegation does not agree with this proposal, considering that the questions of resettlement and redistribution of the Displaced Persons which fall under the competence of the Control Council in Germany are included within the competence of the Council of Foreign Ministers and that there is no reason to exclude these questions from the competence of the Council of Foreign Ministers and the Allied Control Council. On the contrary, the I.R.O. cannot deal with such questions. According to the terms of reference of the I.R.O. (which is attached to the U.N.O.), to which the Soviet Government has not adhered, only purely humanitarian and not political aims fall under the competence of this organisation, as has been officially stated by the founders of the organisation.

The U.K. Delegation supports the I.R.O., but reserves its position on this particular proposal, pending the assumption by the I.R.O. of its responsibilities in Germany.

The French Delegation cannot agree to this proposal in its present form. It indicates, however, that the I.R.O. as soon as it starts to function in Germany will receive all facilities to function effectively in the French Zone.

(g) *Soviet proposal*: In view of the fact that each occupation power had the opportunity to complete in full the repatriation of Displaced Persons and Refugees to their countries of origin after the capitulation of Germany, it should be prohibited to charge any expenses incurred for the maintenance of Displaced Persons and Refugees to German account or to the account of occupation forces as of January 1, 1947.

The U.S., U.K. and the French Delegations do not agree to this proposal. The U.S. Delegation points out that in its opinion the pressure on the German economy would be more effectively relieved by stopping the influx of additional transferees into Germany.

(h) *British proposal*: The Control Council shall study the possibility of a redistribution of refugees and expellees already transferred to the various Zones of Germany, in order to effect a more equitable and a more even settlement. A German Commission shall be established to study this question. This Commission shall be accorded freedom of action and of movement throughout Germany as

a whole and shall be responsible for the implementation of its own recommendations subject to the rights of the Governments of the *Laender* being safeguarded and subject to the general supervision of the Control Council.

The U.S. and Soviet Delegations accept this proposal: The French Delegation does not.

(j) *Soviet proposal*: To forbid any kind of enlistment whatsoever of Displaced Persons in semi-military organisations (guard units, guard companies, etc.) now in existence or being formed on the territory of the Western Zones of Germany, and to release those Displaced Persons who already belong to such organisations.

All Delegations agree that the decision on this question will depend on the decision which may be taken on the corresponding point in the Section on Demilitarisation.

740.00119 Council/4-247 : Telegram

The Ambassador in Belgium (Kirk) to the Secretary of State

SECRET

BRUSSELS, April 2, 1947—7 p.m.

530. Spaak tells me he is not encouraged by French attitude at Moscow and considers it would be most regrettable should France align herself with Russia rather than with US-UK. Has noted Stalin's reception of Bidault⁹⁶ and banquet given by French to Russian delegates. He says of course, Belgium is profoundly interested in and affected by foreign policy of France and he is not happy over recent tendencies of French to overlook necessity of supporting continuous participation by US and UK in German occupation. France, he said, continues to see problem solely in light of her own relations with Germany, which historically stem from 1870 onwards to latest war, but this he felt was serious error. In his view issue now was clearly drawn between Soviets on one hand, and Anglo-Saxons on other, and French failure to recognize such basic situation was incomprehensible. He deplored their insistent clamor annex Saar and for Ruhr coal as obscuring larger question of Germany's future. In this connection he remarked Russia while herself enjoying absorption of Prussia, Silesia and expanded Poland into Soviet orbit was now pressing for unity of what remained of Germany to facilitate penetration and so be at control.

Repeated to Paris as 30, London 40 and Moscow.

KIRK

⁹⁶ Regarding the Stalin-Bidault meeting of March 17, see telegram 974, Delsec 1339, March 24, from Moscow, p. 396.

CFM Files : Lot M-88 : Box 58

*Report of the Deputies for Germany to the Council of Foreign Ministers*⁹⁷

SECRET

April 3, 1947.

CFM (47) (M) 98

STATEMENT OF THE REPRESENTATIVES OF THE INTER-ALLIED
REPARATIONS AGENCY

In compliance with the instructions of the Council of Foreign Ministers of March 18, 1947,⁹⁸ the Deputies heard in their meeting of March 29, 1947, a statement by the President of the Inter-Allied Reparations Agency, Mr. Jacques Rueff. At their further meetings on March 31 and April 1, the Deputies put questions to representatives of the Agency, Mr. Rueff and Mr. Nigel Sutton, with the object of clarifying the facts relating to the work of the Agency and to the reparation interests of its member states.

(a) The Deputies submit a summary of the main points of Mr. Rueff's statement, the full text of which is annexed (CFM (47) (M) 87 Appendix A).⁹⁹

(b) They also submit their record of their questions put to Mr. Rueff and Mr. Sutton (CFM (47) (M) 87 Appendix B).¹

(c) The Deputies are of the opinion that sufficient information has been obtained from the representatives of the Agency and that, therefore, it is not necessary for the Council of Foreign Ministers to hear an additional statement by them.

(d) They consider it appropriate to limit their report to the points mentioned above.

The following are the main points contained in the statement by the President of the Inter-Allied Reparations Agency.

1. Reparation deliveries from the western zones of Germany have been so far most unsatisfactory. Member states of the Inter-Allied Reparations Agency desire a speedy revival of deliveries as they feel certain that any prolonging of the present situation would be tantamount to the ultimate failure of the reparation policy as stipulated at Potsdam.

2. "The states represented in the Agency consider they have grounds for considering the Potsdam Agreement as a solemn obligation under-

⁹⁷ This Report was discussed by the Council of Foreign Ministers at its 23rd Meeting, April 8; see telegram 1263, Delsec 1405, April 8, from Moscow, p. 317.

⁹⁸ Regarding the instructions to the Deputies, see the United States Delegation Minutes of the Council's 8th Meeting, March 18, p. 257.

⁹⁹ The document under reference is not printed; for an authoritative account of Rueff's statement, see *Inter Allied Reparation Agency: Report of the Secretary General for the Year 1947* (Brussels, 1948), pp. 6-7.

¹ Not printed.

taken by the occupying Powers in relation to them and representing something in the nature of a contract, the fulfillment of which they have the right to demand." This contract has not been fulfilled.

3. As far as the industrial capital equipment is concerned 143 plants have been notified to the Inter-Allied Reparations Agency by the Allied Control Council. Approximately one half of these are not complete plants but consist of isolated groups of machines removed from war plants. Of the total number of plants only 59 have been actually allocated by the Inter-Allied Reparations Agency, due primarily to delay in the delivery of inventories by the Control Council.

"In fact, substantial deliveries of reparation were suspended in June 1946, actually two months after they began."

Reparation received by the Inter-Allied Reparations Agency also includes 254 merchant vessels which have been distributed.

4. In commenting on the figures referred to in paragraph 3, Mr. Rueff said: "No one can presume to say that these negligible results are the maximum indemnities stipulated for by the Potsdam Agreement with which Germany is able to offset the losses and suffering she caused."

5. Whatever level of industry may be fixed in Germany there is a substantial amount of plant surplus which can be made available as reparations. A large number of plants can be earmarked for reparation, in advance of final decisions on the level of industry.

6. The absence of a general program for removal from the three western zones makes it difficult for the recipient States to formulate their bids and to plan the integration of the reparation plants into their national economy. It also impedes the work of the Agency in making allocations.

7. The present position with regard to reparation deliveries was even less satisfactory than in 1921 when Germany paid approximately eight billion gold marks within two years. "It will be said that conditions are not the same, that Germany is more completely ruined than after the other war. That is an undoubted fact. But it is none the less indisputable that the over-industrialization of Germany for military purposes has created conditions in which, despite destruction and the exceptional wear-and-tear of war, there remains an industrial potential which is vastly superior to the requirements of a peace-time economy, no matter what the outcome of present controversies may be."

8. Administrative difficulties have resulted in long delays. 51 operations are involved in the complete process of allocation for any one item under present arrangements. It would take a minimum of 16 months, but more probably 18 months to 2 years to complete the 51 processes.

9. It is hoped that the political difficulties which have caused the suspension of reparation deliveries to the Inter-Allied Reparations Agency would be resolved by the Council of Foreign Ministers.

10. Mr. Rueff speaking in a personal capacity:

(a) indicated that suspension of the activity of the Allied Reparations Commission was one of the considerations which rendered more difficult the reparation deliveries and the carrying out of the reparations policy laid down at Potsdam.

(b) he added that if the Allied Reparations Commission were to be revived, as two Delegations had suggested, it should function as an organ of the Council of Foreign Ministers rather than as an organ assisting the Allied Control Council since under the latter circumstances it would inevitably conflict with the same results as before.

(c) suggested that an integrated reparation office should be organized within the control administration in Germany and under the authority of the Co-ordinating Committee. Such an office should be staffed with one official at each level, rather than by four (one from each Controlling Power) in order to shorten the present unwieldy procedure for removals.

CFM Files : Lot M-88 : Box 58

*Report of the Coordinating Committee to the Council of Foreign Ministers*²

SECRET

Moscow, April 11, 1947.

CFM (47) (M) 121

FORM AND SCOPE OF PROVISIONAL POLITICAL ORGANIZATION OF GERMANY

A. CENTRAL ADMINISTRATIVE AGENCIES (PARAGRAPH A—

CFM/47/M/101)

1. All Delegations agree to accept the following text:—

(a) "The Control Council is directed to institute in the shortest possible time Central Administrative Agencies dealing with those

² At its 19th Meeting, April 2 (see telegram 1163, Delsec 1382, April 2, from Moscow, p. 304), the Council of Foreign Ministers agreed to instruct the Coordinating Committee to submit draft directives on the question of the political organization of Germany. The Coordinating Committee's Report was circulated to the Council in two documents, CFM (47) (M) 101, April 4, and CFM (47) (M) 105 (Revised), April 8, neither printed. These were considered by the Council at its 21st, 22nd, and 23rd Meetings, April 5, 7, and 8, respectively (see telegrams 1211, Delsec 1394, April 5; 1236, Delsec 1398, April 8; and 1263, Delsec 1405, April 8, from Moscow, pp. 311, 313, and 317). The Council referred the Report back to the Coordinating Committee for further consideration and redrafting. The Committee's revised Report, printed here, was discussed by the Council at its 26th Meeting, April 11 and its 27th Meeting, April 12 (see telegrams 1320, Delsec 1416, April 11 and 1333, Delsec 1418, April 12, from Moscow, pp. 325 and 330). Changes in this Report adopted by the Council are indicated in the footnotes that follow. In concluding its consideration of this Report at their 27th Meeting, the Council agreed to refer the whole Report to the Deputies for Germany for them to consider and to report to the next session of the Council.

This Report was discussed by the Deputies for Germany during their meetings in London, November 6-22, 1947; see the United States Daily Journal of Meetings of the Deputies, pp. 703-712. The Report, virtually unchanged, was reissued by the Deputies for Germany as document CFM (D) (L) (47) (G) 80, November 13, 1947. As reissued by the Deputies, this Report began with the following statement:

"GENERAL RESERVATION ON THE DOCUMENT AS A WHOLE

All Delegations agree that any decision on the political organisation of Germany is conditional upon the prior establishment of German economic unity."

matters requiring central decision in the fields laid down in the Potsdam Agreement as well as for food and agriculture.”

(b) “Central Administrative Agencies will be under the supervision and direction of the appropriate quadripartite bodies of the Allied Control Authority. When the German Provisional Government has been established new arrangements for control are envisaged.”

2. The U.S., U.K. and French Delegations accept the following text:—

“Each Department will be under the management of a German Executive Committee, consisting of representatives of the different *Laender*, with a chairman holding executive authority [to implement] the decisions of the majority of the Committee”.

The U.S. and U.K. Delegations prefer the deletion of the words shown in brackets and the substitution therefor of the words “subject to”.

The position of the Soviet Delegation on the question of the management of Central Departments is defined in Part III, paragraph 9(IV) of the decisions of the Berlin Conference. So far as questions of detail are concerned they should be referred for consideration of the Control Council.

3. The French Delegation proposes the following text:—

“The above provisions do not apply to the Saar territory and do not prejudice the future regime of the Ruhr and the Rhineland.”

The U.K. Delegation can accept this proposal in so far as the Saar is concerned but reserves its position with regard to the Ruhr and the Rhineland.

4. All Delegations have accepted the following text:—

“The Allied Control Council will issue directives necessary for the guidance of these agencies including directives specifying the administrative functions to be allocated to Central Administrative Agencies and those to be allocated to the authorities of the *Laender*.”

The Central Administrative Agencies shall issue in their respective fields instructions and directives to the competent authorities in the *Laender*.”

5. The U.S., U.K., and French Delegations agree that the relationship between the Zone Commanders and the Central Administrative Agencies should be defined as follows:

“The Zone Commanders shall have the right to be informed as to the activities of the Central Administrative Agencies in their respective zones. They shall however issue no instructions to them save

(a) as agents of the Control Council,

(b) in the event of a threat to the security of the occupation forces”.

6. The Soviet Delegation proposes that the relationship between the Zone Commanders and the Central Administrative Agencies be defined as follows:—

“The Zone Commanders, each in his own zone, being guided by the necessity for ensuring the fulfilment by Germany of her obligations to the Allies, the maintenance of the security of the occupation forces and the observance of the instructions of the Control Council in accordance with the policy of the Four Powers with respect to Germany, shall exercise general supervision and control of the activities of the Central Administrative Agencies on the basic questions.

“In cases where the directives of the Central Administration run counter to the directives and instructions of the Control Council, the Zone Commanders, after informing the Control Council, shall have the right to suspend the execution of these directives, and the Control Council will make the final decision on the matter involved.”

7. The U.S. and U.K. Delegations believe that the relationship between the Control Council and the Central Administrative Agencies should be limited by the following definition:—

“In the exercise of its authority the Control Council shall refrain from direct operation or detailed supervision of the Central Administrative Agencies.”³

8. The U.S. and U.K. Delegations also believe that the functions of the Central Administrative Agencies should be understood as follows:—

“The functions of these executive agencies shall extend over the whole of Germany: their agents and any Allied supervisory staff shall be free to travel throughout Germany. It should be brought home to the German people that while these agencies will operate under the policy direction of the Control Council they will have full executive responsibility for the management of the economy of Germany.”⁴

B. ESTABLISHMENT OF A GERMAN ADVISORY COUNCIL (PARAGRAPH B—
CFM/47/M/101)

1. *Date of the Establishment of the Council*

All Delegations agree that a German Advisory Council will be established within three months of the creation of German Central Administrative Agencies.

The agreement of the French Delegation to this text is conditional upon the final determination of the frontiers of Germany having been settled by that date.

³ The United States and United Kingdom Delegations agreed to withdraw this paragraph.

⁴ The United States and United Kingdom Delegations agreed to withdraw the last sentence of this paragraph.

2. *Composition of the Council*

U.K., U.S. and French Delegations propose the following:

The German advisory Council shall consist of three representatives of each *Land* chosen by the *Landtag* so as to represent as nearly as possible the division of democratic political opinion in that *Land*.

The Advisory Council [will] consult the political parties and the trade unions and may consult any other organisations representative of German public opinion existing in any part of Germany.

The U.S. and French Delegations prefer the deletion of the word "will" and the substitution of the word "may".

The U.K., U.S. and French Delegations have assumed that if a *Landtag* should choose representatives on a basis which did not represent the division of political opinion in the *Land*, the Control Council and the Zone Commander would take corrective action.

The Soviet Delegation propose the following text:—

"The German Advisory Council should consist of an equal number of representatives of democratic parties and of the *Laender*, and also of representatives of the free trade unions and other large anti-Nazi organisations.["]

3. *The Functions of the Council*

All Delegations are agreed that "the German Advisory Council shall advise the Control Council on the general aspects of the work of the Central Administrative Agencies. This Advisory Council will also have as its task to work out within the framework of general principles laid down by the Control Council the details of a provisional constitution. The principles referred to will conform to such directives on the subject as may be issued by the Council of Foreign Ministers."

The United States Delegation makes the following reservation⁵ to this and subsequent parts of this report. The U.S. Delegation has agreed to the preparation of a provisional constitution on the understanding that it shall be general in nature and shall contain no more than the minimum required to operate the provisional government for the short time needed for the preparation of a permanent constitution. In its view, such a provisional "constitution" could well take the form of a charter or directive from the Control Council, leaving the development of a detailed permanent constitution to the deliberative processes of an elected constitutional assembly and to final ratification by the people. Thus, a stable permanent government on an elected basis could be established within a period of one year from the establishment of the provisional government.⁶

⁵ The United States Delegation corrected the word "reservation" to read "statement".

⁶ The United States Delegation deleted the last two sentences of this paragraph.

The Soviet Delegation in agreeing with paragraph 3 considers that the Control Council will define a more concrete form and procedure of consultation on the part of the Advisory Council.

C. ESTABLISHMENT OF PROVISIONAL GOVERNMENT. (PARAGRAPH D—
CFM/47/M/101)

The Committee was unable to reach agreement on the proposals submitted by the United Kingdom Delegation at the 22nd Meeting of the Council of Foreign Ministers.

The main issue remains whether elections to the provisional government are desirable or not.

The position of the Delegations is as follows:—

U.S. Position

The U.S. Delegation does not believe that elections to the provisional government are necessary. See the U.S. reservation set forth in paragraph B(3) above.

Soviet-U.K. Position

The provisional constitution and any recommendations of the advisory body on this question shall be submitted to the Control Council for its approval and in accordance with the provisional constitution, as approved by the Control Council, elections to the German Parliament shall be held and a provisional government formed to operate the provisional constitution.

French Position

The provisional constitution and all recommendations on this question made by the consultative council will be submitted for the approval of the Control Council. When the provisional constitution has been approved by the Control Council, parliamentary institutions will be instituted and a provisional government will be established on the basis of the provisions of this constitution.

D. PROVISIONAL GOVERNMENT (PARAGRAPH E—CFM/47/M/101)

During the discussion of this subject it became apparent that there were two separate issues involved. The first was the question of the functions of the provisional government and the second the question of the relationship between the provisional government and the Control Council. In so far as the delegates expressed opinions on these subjects, they are set forth below:—

U.K.-U.S. Position

The U.K.-U.S. Delegations propose the following text:—

- “The provisional central government, when established, shall:—
- (i) exercise, subject to the control of the Control Council, legislative powers in the field assigned to it;
 - (ii) supervise the execution of any such legislation by the appropriate authority and of any instructions of the Control Council.

cil in the field for which the provisional central government is competent;

(iii) initiate the processes of framing a permanent democratic constitution."

They consider that the nature and degree of the control referred to in sub-paragraph (i) above, remains to be settled.

French Position

The provisional government shall assume the functions assigned to it by the constitution under the control of the Control Council, without prejudice to the powers reserved in certain matters to the Control Council and to the general authority assumed by the four powers in the declaration of surrender of June 5, 1945.

Soviet Position

1. The provisional German government will assume the powers of the Central Administrative Agencies.

2. The provisional government will be charged with functions defined in the provisional all-German constitution.

3. The provisional German government will be charged as its basic tasks with the eradication of the remnants of German militarism and fascism, the implementation of comprehensive democratization of Germany and the carrying out of measures designed to rehabilitate German economy, and also the unconditional fulfilment of Germany's obligations to the Allied States, as well as with the preparation of draft of a permanent German constitution, which shall be adopted by the German people and on the basis of which a permanent German government will be formed.

4. The provisional German government will act under the control of the Control Council which shall give directives to the German government on basic questions of its activity.

E. THE DIVISION OF POWERS BETWEEN THE PROVISIONAL CENTRAL GOVERNMENT AND THE LAENDER GOVERNMENTS (SEE PARAGRAPH F OF CFM/47/M/105 REVISED)

1. *The basic principle of the division*

The Coordinating Committee was unable to reach unanimous agreement on this question. The U.S., U.K. and French Delegations accepted the following text:

"All powers shall be vested in the *Laender* except such as are expressly delegated to the Central Government."

The Soviet Delegation considers that when dividing the functions between the Central German and the *Laender* Governments it is necessary to proceed from the liquidation of the Hitlerite centralization of State administration which destroyed the *Landtags* and the autonomous administration of the *Laender* so that the decentralized administration that existed prior to the advent of the Nazi regime shall be

reestablished, with the revival of the *Landtags* and of two all-German Chambers.

The Soviet Delegation consider that such a provisional German Government must be established that, while guaranteeing Germany's political and economic unity, it can at the same time assume responsibility for fulfilling Germany's obligations to the Allied States.

The French Delegation also considers that in addition to the administration of subjects which come within their own competence, the *Laender* should be exclusively responsible for the administration within their respective territories of federal legislation and for the organization in these territories of the recruiting and operation of the public services functioning under federal direction.

The American Delegation believes that the question of the division of powers between the *Laender* and a permanent Central Government should be left to a constitutional convention elected by the German people according to electoral laws adopted by the several *Laender*: the action of this constitutional convention will be subject, of course, to the approval of the Allied Control Council, and to ratification by the German people not later than one year after the establishment of the provisional government. If this is to be a democratic constitution, only the most general instructions should be imposed upon its framers. If we write the constitution for the German people, that constitution will not have the popular support necessary to the stability of any constitutional government. We should agree here to no more than the general requirement that such powers as police, internal security, culture, education and religious affairs shall not be delegated to the Central Government.

The remark of the Soviet Delegation regarding the last part of the above statement of the U.S. Delegation: The Soviet Delegation considers that the Central German Government cannot remove from itself the responsibility to the Allied Powers for guaranteeing State security in Germany, but that the *Laender* Governments should also have their powers in matters of State security on the basis of laws and directives of the Central Government, and the executive guidance of the work of the police should be in the hands of the *Laender* Governments.

2. Powers of the Central Government

The Soviet, United Kingdom, United States and French Delegations agree that: The Central government shall be competent to adopt legislative and executive measures in order to ensure the unity necessary in the following fields:

a. To ensure the political unity necessary :

(1) *The Soviet, United States and United Kingdom position.*

The Provisional German Government shall, on German territory, have legislative and executive powers on matters of the fulfilment by a Central Government of its obligations to the Allies, foreign policy, conclusion and fulfilment of international treaties, citizenship, naturalization, emigration and immigration, extradition of criminals.

Reservation of the Soviet Delegation.

The Soviet Delegation considers that the provisional Central German Government should also have powers on matters of state security, with executive authority over the police forces resting with the *Laender* Governments.

In this connection, the U.K. Delegation wishes to stress that the police forces should be decentralized and that the central government should hold only restricted and clearly specified responsibilities of coordination in the field of criminal investigation.

The French Delegation considers that there should be no federal police. A certain coordination on technical lines may appear necessary as regarding criminal research essentially limited to the establishment and maintenance of a central criminal registrar, without implying the creation of any federal police.

(2) *French Position.*

General conditions of naturalisation for foreigners, subject to the principle that every German possesses citizenship in one of the German states and must comply with the necessary conditions in this respect :

Immigration, emigration and extradition of criminals.

Foreign affairs and implementation of treaties in so far as these questions come under the competence of the Central Government. The States shall have the right to negotiate and conclude international agreements with foreign powers in matters which come under their competence (for instance, frontier zone agreements, local trade, technical and cultural agreements) and to exchange diplomatic representatives.

b. To ensure the legal unity necessary :

The French, United States, Soviet and United Kingdom Delegations consider that the Council of Foreign Ministers should define the extent to which the Central German Government should be responsible for ensuring legal unity. They have therefore accepted the following text: fundamental principles of criminal, civil and commercial law; copyrights, patents and trademarks; negotiable instruments, bills of lading and other document of title of goods.

c. To ensure the economic unity necessary :

- (1) The Soviet, French, United States and United Kingdom Delegations have agreed to place within the competence of the Central Government, customs, foreign trade, import and export control, and weights and measures.
- (2) The United States, Soviet and United Kingdom Delegations also have agreed to place within the competence of the Central Government control of certain road and water communications of national importance and of all rail communications and post and telegraph.
- (3) (a) The United States, Soviet and United Kingdom Delegations are further agreed to reserve to the Central Government the control of the supply of food, the distribution of food and raw materials in short supply, the planning of industry and the control of labor, wages and prices.
(b) The United States and United Kingdom Delegations, however, while agreeing that central control of these questions is necessary under the acute economic conditions at present existing in Germany, desires to see the end of these types of control at a later date. They are therefore opposed to the inclusion in the German constitution of provision for the permanent retention by the central government of these controls.
- (4) *French position*
 - (a) The French Delegation states that the powers which would be attributed to the federal authority regarding the elaboration of common measures for transport and for the federal coordination of post and telegraph are enumerated in Document CFM/47/M/41, Chapter 6, Point A, Paragraph 5 for transportation, and Paragraph 6 for post and telegraph.
 - (b) The French Delegation considers that the present acute economic difficulties in Germany make it unavoidable that certain powers in the economic field should be exercised by central governmental machinery under the authority or the supervision of the Control Council. These powers refer particularly to the supply of food, the distribution of food, coal and power and essential raw materials, the planning of industry and the control of wages and prices. The Control Council shall decide in due course by what German bodies these powers shall be exercised if at all.

d. To ensure the financial unity necessary :

- (1) The Soviet, United States and the United Kingdom Delegations have agreed to the following text : The issue of currency and coinage; certain powers for the coordination of banking; the national public debt; certain powers of taxation to be agreed; foreign exchange control.

- (2) The French Delegation proposes the following text: debt of the federal state; certain powers of taxation to be agreed; foreign exchange control. Questions relating to currency and the banking system should rest with a central banking commission consisting of representatives of the central banks of the *Laender*.
- (3) The Soviet, French and United Kingdom Delegations consider it necessary that the question of a budget for common purposes should also be included within the competence of the Central Government.

e. General Reservation of the French Delegation.

The French Delegation states that the powers stated as being within the competence of a Central Government in the preceding paragraphs may not in fact be attributed to this Government in their entirety by the provisional Constitution. Their detailed enumeration in this statement represents only a definition of the maximum powers which the Constitution may eventually give the Central Government.

f. General Reservation of the United States Delegation.

The agreement by the U.S. Delegation to the definition of the powers of a Provisional Central Government in the preceding paragraphs is subject to the understanding that the constitution of a Provisional Government will come before the Allied Control Council for review, and to the reservation that such a constitution, when viewed as a whole, shall not contravene the provision of the Potsdam Agreement with respect to decentralization and the development of local responsibility.

In addition, the functions of police, internal security, culture, education and religious affairs shall not be delegated to a Central Government, and an independent judiciary shall be provided to safeguard the integrity of the *Laender* and the basic rights of the individual. The powers of taxation assigned to the Provisional Central Government shall not be such as to impair the authority and means of the *Laender* to raise appropriate revenues.

3. *Powers of the "Laender" Governments*

a. Soviet Position

The Governments of the *Laender* shall enjoy in their respective territories and in the conditions normal to an autonomous government, legislative and executive powers in the following questions:

- (1) Administration and territorial divisions: Administrative management of the *Laender*, public security in conformity with the laws and directives of the national German government; the judicial system and court procedure; criminal and civil law on the basis of the national German legislation.

- (2) Public Education and Cultural Development, Public health, the regulation of conditions of work; public and social insurance; public relief;
- (3) Internal commerce; budget; local industry and transportation; mines, water resources and agriculture.

b. United States, United Kingdom and French Position

All powers not specifically delegated to the Central Government are vested in the *Laender*.

- c.* Soviet Delegation feels it necessary to retain paragraph 3 of this document taking into account the experience of the Weimar Constitution, particularly articles 6, 7 and 12.

CFM Files : Lot M-88 : Box 58

*Report by the Special Committee to the Council of Foreign Ministers*⁷

SECRET

Moscow, April 11, 1947.

CFM (47) (M) 122

The Special Committee submits to the Council of Foreign Ministers the following draft directives for the Control Council.

⁷ The Report was prepared by the Special Committee in pursuance of the decision reached by the Council of Foreign Ministers at its 20th Meeting, April 3 (see telegram 1188, Delsec 1390, April 3, from Moscow, p. 307). For the earlier report by the Special Committee on some of the same topics considered here, see document CFM(47)(M)93, April 2, 1947, p. 427. The Council of Foreign Ministers discussed this Report at its 27th Meeting, April 12 (see telegram 1333, Delsec 1418, April 12, from Moscow, p. 330). According to the Record of Decisions of that meeting, the Council made the following disposition with regard to this Report:

"Demilitarisation, paragraphs 1, 2 and 5, agreed

"Democratisation, paragraph 2, agreed

"Demilitarisation, paragraph 3

"It was agreed to amend paragraph 3 as follows:

'shall effectively complete the liquidation of factories in Category I before June 30, 1948'. The U.K. Delegation made the reservation that it would accept the above date but reserved the right to report to the Control Council if difficulties arose in the completion of the task by the date established and to request an extension should this prove necessary.

"Demilitarisation, paragraphs 6 and 7

"Democratisation, paragraphs 3 and 4

"It was agreed to refer these paragraphs back for further consideration by the Special Committee.

"Demilitarisation, paragraph 4

"Democratisation, paragraph 1

"It was agreed to refer these paragraphs to the Allied Control Council for Germany for consideration and report to the next session."

The Special Committee held meetings on April 14 and 15 at which time it revised this paper to include the recent decisions by the Council and such minor additional changes as the Committee was able to agree upon. The revised Report of the Committee, circulated to the Council as document CFM(47)(M)132, April 15, 1947, is not printed. Its agreed portions were subsequently included in the Report of the Deputies for Germany to the Council, CFM(47)(M)148, April 23, 1947, p. 461.

DEMILITARIZATION

The Control Council :

(1) shall accelerate the work of destruction of German military material and the demolition of all the military establishment and installations intended for carrying on war on land, on the sea and in the air, in accordance with the programme already in progress by the Allied Control Council under directives 22 and 28 as amended, which looks forward to the completion of this work by 31st December, 1948, if possible.

(Agreed by four Delegations)

(2) shall complete the plan for the liquidation of the plants constructed especially for the production of war materials (Category I) prior to July 1st, 1947.

(Agreed by four Delegations)

(3) The U.S., French and Soviet Delegations agree on the following text :

[shall effectively complete the liquidation of factories in Category I before December 31st, 1947, with the exception of a limited number of war plants which, according to decisions of the Control Council, are intended for the conversion of ammunition into artificial fertilisers and which shall be liquidated before June 30th, 1948]

The British Delegation proposes :

[shall effectively liquidate Category I war plants at the earliest practicable date which shall be set by the Control Council. In this connexion, the Control Council shall provide for the temporary retention of the limited number of war plants which are being used for the conversion of ammunition into artificial fertilisers.]

(4) The U.S. and U.K. Delegations propose :

[shall effectively complete the liquidation of the other factories or workshops constituting a marked war potential (Categories II, III and IV, with the exception of plants maintained temporarily for the needs of the German economy under conditions determined or to be determined by the Control Council) at the earliest practicable date after adoption of the revised plan for reparations and the post-war level of German economy. The date shall be agreed by the Control Council.]

The Soviet Delegation proposes :

[shall elaborate by July 1st, 1947, a plan for the liquidation of war industrial potential for Germany having fixed a date for the actual completion of the work for the liquidation of industrial war potential (Categories II, III and IV) at a date not later than the end of 1948 paying special attention to the liquidation of monopolies, concerns, cartels, trusts, syndicates, monopolies, which unite enterprise linked with German war potential or exercise financial control over such enterprises.]

The French Delegation proposes:

[(a) shall complete within a period of 3 months after the definite establishment of the Reparations and the Level of Industry Plan for Post-War German Economy and at the latest by October 31st, 1947, the formulation of a liquidation plan applicable to other plants or factories constituting a marked war potential (Categories II, III and IV). This plan shall provide for exceptions in the case of plants temporarily maintained for the needs of German economy or the disposition of which could depend on final decisions regarding level of industry; it shall be established independently of the detailed Plan for Reparation.]

[(b) shall liquidate effectively the plants or factories in Categories II, III and IV, nine months after the approval of the liquidation plan provided for in paragraph (a) above.]

(5) shall verify with the aid of quadripartite commissions the operations for the liquidation of war potential provided for in the preceding paragraphs.

(Agreed by four Delegations)

The Soviet Delegation understands that Mr. Molotov, the Minister for Foreign Affairs of the U.S.S.R., proposed to refer to the Special Committee for its consideration the following proposals of the Soviet Delegation:

[(6) to disband and fully eliminate by June 1st, 1947, all remaining German military formations, including auxiliary units.

(7) to disband and fully eliminate all remaining and newly formed units, staffs, guard services and other organisations, as well as training and assembly camps made up of non-German nationals which, under the decision of the Control Council, are to be dissolved and repatriated.]

The U.K. and U.S. Delegations were of the opinion that the above questions (paragraphs 6 and 7) were not referred to the Special Committee. The French Delegation considered that owing to some uncertainty in this respect, the Ministers should be requested to give instructions to the Committee.

DEMOCRATIZATION

The Control Council:

Elections

1. shall ensure quadripartite supervision and inspection of elections throughout Germany as a whole:

The U.K., U.S. and French Delegations have accepted the above text.

The Soviet Delegation proposes:

1. shall ensure throughout Germany a quadripartite supervision and inspection of elections to the all-German Parliament;

The forms of supervision and inspection shall be determined in due time by the Control Council.

Land Reform

2. shall ensure the carrying out and completion of land reform in all zones of occupation in Germany in 1947.

All Delegations have accepted the above text.

Circulation of Information

The French, U.S. and U.K. Delegations propose:

3. shall establish in all of Germany a free exchange of information and democratic ideas by all media, this exchange to be limited only by the requirements of military security, the needs of the occupation, and the necessity of preventing the resurgence of National Socialism and militarism. This exchange should not be subject to any pressure of any sort, particularly administrative or economic, on the part of the central government, or of the *Laender* governments, or any other German authority.

The Soviet Delegation proposes:

3. shall establish in Germany freedom for dissemination of information and democratic ideas, subject only to the requirements of military security as well as to the carrying out by Germany of her obligations to the Allies and the necessity of preventing the revival of Nazism and militarism. The dissemination of information and democratic ideas shall be free from administrative and economic pressure, both on the part of the Central Government and on the part of the Governments of the *Laender*.

Basic Human Rights

The U.S. and U.K. Delegations propose:

4. shall ensure that any future constitution for Germany as a whole and, through the Zone Commanders, that every state (*Land*) constitution in Germany contains specific and effective guarantees of the rights of the individual regardless of race, sex, language or creed, including freedom of religion, freedom from search, seizure and arbitrary arrest, freedom of speech, assembly and association, freedom of movement and communication, the equality of all before the law and the courts, equal rights for education and of access to all employments, and also effective guarantees for freedom of the press and radio, and for independence of the judiciary.

The Soviet and French Delegations propose:

4(a) shall ensure that any future constitution for Germany as a whole and, through the Zone Commanders, that every state (*Land*) constitution in Germany contains specific and effective guarantees of the rights of the individual regardless of race, sex, language or creed, including freedom of religion, freedom from search, seizure and arbitrary arrest, freedom of speech, assembly and association, freedom of movement and communication, the equality of all before the law

and the courts, equal rights for education and of access to all employments, and also effective guarantees for freedom of the press and radio, and for independence of the judiciary.

4(b) These fundamental democratic rights of the individual shall not be used to the detriment of the requirements of military security or against the carrying out by Germany of her obligations to the Allied Powers and for attempts to revive Nazism and militarism in any form.

The U.S. and U.K. Delegations accept the content of 4(b). They consider, however, that no fresh instructions on this question are required by the Control Council. The Control Council's responsibilities are already clearly defined. The U.K. and U.S. Delegations do not consider that a restatement of these responsibilities is necessary in this connection.

CFM Files : Lot M-88 : Box 94 : File—Germany Treaty VI

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

Moscow, 11th April, 1947.

DEAR MR. MARSHALL: At the meeting of the Council on the 25th March⁸ you gave it as your view that the German Peace Treaty should not be signed by a German Government. Your proposal, if I understand it correctly, is that the Allies should demand that a clause be written into the future German constitution requiring that all authority exercised under the constitution should be exercised in accordance with the terms of the Peace Treaty. By this means the whole German nation would be obliged to observe the Peace Treaty by the terms of the constitution.

You will recall that I expressed grave doubts about this proposal at the time. I felt that it was most important that the Peace Treaty should be signed on behalf of Germany. I have since been giving more thought to this question, and I feel bound to let you know that I am confirmed in the view which I expressed at the Council.

I fully appreciate the underlying aim of your proposal, and with your wish to spread the responsibility for the acceptance of the Treaty over the German people as a whole, and to avoid so far as possible a repetition of the developments which followed the signature by the German Government of the Versailles Treaty.

Nevertheless, I see no escape from the need to obtain the explicit acceptance by the German Government of certain conditions upon

⁸ For a report on the 13th Meeting of the Council of Foreign Ministers, March 25, see telegram 1013, Delsec 1345, March 25, from Moscow, p. 287.

which the Allies will have to insist in return for abandoning the supreme authority which they now exercise in Germany. Such a need is foreseen in the United States draft Treaty for the Disarmament and Demilitarisation of Germany, where it is stated in Article 3 that the acceptance by Germany of certain prohibitions shall be a condition for the termination of the Allied occupation. If the scope of this Treaty were widened, as may prove advisable, or if other similar Treaties were made to impose other restrictions on Germany, and Germany was obliged to accept those restrictions also, we should in fact have arrived at much the same situation as if Germany was required to sign a Peace Treaty.

A Peace Treaty which was signed only by the Allied Powers and not by Germany would not be binding on Germany in international law, and acceptance of the Treaty by the Germans merely as part of their constitution would not make it so. Moreover, the Germans, if they ever regain any freedom, will be able to change their constitution, unless the maintenance of the constitution, or of certain vital clauses in it, is made obligatory by some special international machinery. In that event, as I have indicated above, the net result would be virtually the same as if a German Government had been required to sign a Peace Treaty. The essential feature in either case is that the Allies would require certain specific undertakings to be given by Germany, which undertakings could only be binding on Germany if she were a party to them.

At the same time, I realise that there is much to be said for laying responsibility for the acceptance of the Peace Treaty on the German people as a whole and not merely on the German Government of the time. My own view is that there will be considerable advantage in inserting an article in the German constitution on the lines you propose, provided that this is in addition to Germany's signature and ratification of the Peace Treaty and not in substitution for it. If the constitution is adopted by democratic methods, as we intend shall be the case, such a procedure would constitute a complete protection for those individual Germans whose duty was to sign the Peace Treaty.

Similarly, it seems to me desirable that the Peace Treaty (or an agreement similar to the United States Disarmament and Demilitarisation Treaty) should lay down the minimum constitutional principles which Germany must be internationally bound to maintain.

The above considerations lead me to believe that there may not, in fact, be so wide a difference between your approach and ours as seemed to be the case. I should be grateful if you could consider my views and let me have your own, since I feel it is important that we should try to agree on this question fairly soon.

Yours sincerely,

ERNEST BEVIN

CFM Files : Lot M-88 : Box 58

*Report by the Deputies for Germany to the Council of Foreign Ministers*⁹

SECRET

Moscow, April 12, 1947.

CFM (47) (M) 125

PROCEDURE FOR THE PREPARATION OF THE GERMAN PEACE TREATY

PART I

1. The German Peace Treaty will be prepared by the Council of Foreign Ministers composed for this purpose of the members of the Council representing the Powers signatory to the Act of Military Surrender of Germany.

The Council of Foreign Ministers will consult the Governments of the Allied States enumerated in paragraph 2 and of other states mentioned in paragraph 3 on the question of the preparation of the Peace Treaty in the manner laid down in Part II of this document.¹⁰

2. The Allied States mentioned in the foregoing

⁹ This Report is a redraft by the Deputies for Germany of an earlier report, not printed, circulated to the Council as the Annex to document CFM(47) (M)60, March 24, 1947, p. 397. This redraft had been requested by the Council at its 13th Meeting, March 25 (see telegram 1013, Delsec 1345, March 25, from Moscow, p. 287). The Report printed here was discussed by the Council at its 27th and 28th Meetings, April 12 and 14 (see telegrams 1333, Delsec 1418, April 12 and 1358, Delsec 1426, April 14, from Moscow, pp. 330 and 331). According to the Record of Decisions of the latter Council meeting, the following decision was adopted with respect to this Report:

"The agreed points of this document [CFM(47) (M)125] were adopted. There was an exchange of views on other points in the course of which it was agreed to refer paragraph 3 of Part II back to the Deputies for consideration. The Soviet Delegation withdrew its proposal on this paragraph and joined the proposal of the French Delegation on the condition that after the words 'Allied States' shall be added the words: 'mentioned in Part I, paragraph 2.'"

The source text bears the following prefatory remark:

"Notes in the margins indicate countries which agree with the words in brackets."

During their meetings in London, November 6-22, 1947, the Deputies for Germany discussed this document and agreed upon a number of minor amendments; see the United States Daily Journal of Meetings of the Deputies, pp. 703-712. As amended by the Deputies for Germany, this document was reissued as CFM (D) (L) (47) (G) 78 revised, November 12, 1947, not printed. Differences between the two versions of the Report are indicated in the annotations that follow.

As amended in CFM (D) (L) (47) (G) 78, this Report was discussed by the Council of Foreign Ministers at its 5th through 8th Meetings in London, November 29, December 1, 2, and 3, 1947 (see telegrams 6255, Delsec 1511, November 29; 6272, Delsec 1514, December 1; 6286, Delsec 1515, December 2; 6306, Delsec 1517, December 3, from London, pp. 740, 741, 742, and 746.) Paragraphs approved or amendments agreed upon by the Council at these meetings are indicated in the annotations that follow.

¹⁰ This paragraph was approved by the Council of Foreign Ministers at its 5th Meeting, November 29.

paragraph are the Allied States which are neighbours of Germany and other Allied States which participated with their armed forces in the common struggle against Germany, namely :

[Albania], Australia, Belgium, the Byelorussian Soviet Socialist Republic, Brazil, Canada, China, Czechoslovakia, Denmark, Greece, India, Luxembourg, the Netherlands, New Zealand, Norway, Poland, the Ukrainian Soviet Socialist Republic, the Union of South Africa and Yugoslavia.¹¹

3. The Governments of other Allied belligerent States and of ex-enemy States who subsequently participated in the war against Germany on the side of the Allies will, at an appropriate stage in the preparation of the Peace Treaty, be afforded the opportunity to state their views on the German problem, orally or in writing, to the Deputies or to the Council of Foreign Ministers, as the latter may think appropriate.¹²

4. When the preparation of the draft Peace Treaty is in essentials completed, after due consideration has been given to the views expressed by the Allied States [and when a Central Government is formed in Germany which will be deemed adequate for the purpose of accepting the said document], the Council of Foreign Ministers, consisting of the Foreign Ministers of the Union of Soviet Socialist Republics, the United States of America, the United Kingdom, France

[and China]

will convene a conference to discuss the draft Treaty.

The Conference will consist of the United States of America, the United Kingdom, the Union of Soviet Socialist Republics, France and China, and [of the following Allied States which are neighbours of Germany or which participated with their armed forces in the common struggle against Germany: Albania, Australia, Belgium, the Byelorussian Soviet Socialist Republic, Brazil, Canada, Czecho-

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¹¹ In CFM (D) (L) (47) (G) 78 Revised, "[Pakistan]" was inserted between Norway and Poland as a proposal favored by France, the United Kingdom, and the United States. At its 5th Meeting, November 29, the Council of Foreign Ministers agreed to include Pakistan in the list of Allied States to be invited.

¹² Paragraph 3 was approved by the Council of Foreign Ministers at its 5th Meeting, November 29.

US slovakia, Denmark, Greece, India, Luxemburg, the Netherlands, New Zealand, Norway, Poland, the Ukrainian Soviet Socialist Republic, the Union of South Africa and Yugoslavia] [of the Allied States which are neighbours of Germany or which are in a state of war with Germany. All these States will be accorded full and equal rights as members of the conference.]*

USSR [The German Government will be given an opportunity of stating its views at the Conference.]

US [Responsible representatives of Germany will be given the opportunity to present their views to the Conference.]

UK [If at the time of the Conference there exists a German Government adequate for the purpose of accepting a peace treaty, representatives of the German Government will be given an opportunity of expressing their views at this Conference.

In any event, before a peace treaty is signed by a German Government, representatives of that Government will be given an opportunity of expressing their views on the draft peace treaty.]

US 5. When the work of the Conference is concluded and its recommendations have been considered, the Council of Foreign Ministers, consisting of the representatives of the States which signed the Act of Military Surrender of Germany will draw up the final text of the peace treaty, [on the basis of the recommendations of the peace conference which are supported by a two-thirds vote of those present and voting, taking into consideration the other recommendations which are supported by a majority of those present and voting at the Conference.]¹⁴

In this work the Council of Foreign Ministers will consult the Allied States in the manner laid down in Part II of this document.

*The U.K. and French Delegations reserve their position regarding the composition of the peace conference. [Footnote in source text.]

¹⁴ At the 6th Meeting of the Council of Foreign Ministers in London, December 1, 1947, the Secretary of State amended the United States proposal in brackets to read:

“taking into consideration the recommendations of the peace conference which are supported by a two-thirds vote of those present and voting, and the other recommendations which are supported by a majority of those present and voting at the Conference.”

The whole of paragraph 5, including the revised language in brackets, was approved by the Council at its 7th Meeting, December 2, 1947.

6. The final text of the Peace Treaty thus prepared will be signed by the Representatives of the States represented at the Conference.

[The peace Treaty will be signed by a German Government adequate for the acceptance of this treaty.]

[The text of the peace Treaty will be presented to the other United Nations who are in a state of war with Germany]

7. The Peace Treaty will enter into force immediately after its ratification by the Allied States which signed the Act of Military Surrender of Germany.¹⁵

With respect to each other Allied signatory the Treaty will come into force upon the date of the ratifications by that Allied signatory.¹⁵

[The Peace Treaty will also be ratified by Germany]¹⁵

[The German Constitution will contain a clause providing that all powers thereunder shall be exercised subject to and in accordance with the peace settlement agreed upon by and between the Allies.]¹⁶

PART II

1. The Council of Foreign Ministers will afford to the representatives of the Allied States full opportunity to present to the Deputies or to the Council of Foreign Ministers, as the latter may think appropriate in writing or orally, any views which they may wish to present on the German problem.

Such oral statements will be made in the presence of representatives of others of the Allied States wishing to attend. It will be open to these representatives to make additional comment in writing upon communications from representatives of other Allied States.¹⁷

¹⁵ Approved by the Council of Foreign Ministers at its 6th Meeting, December 1, 1947.

¹⁶ In CFM(D)(L)(47)(G)78 Revised, France joined the United States in favoring the sub-paragraph in brackets.

¹⁷ In the earlier draft of this Report, CFM(47)(M)60, Annex, not printed, this paragraph, in the form of a bracketed proposal by the United States and United Kingdom Delegations, read as follows:

"[Such oral statements will be made in the presence of representatives of others of the Allied States wishing to attend as observers. It will be open to representatives attending as observers to make additional comment either orally or in writing upon communications from representatives of other Allied States.]"

The Allied States mentioned in the foregoing paragraphs are the Allied States which are neighbours of Germany and other Allied States which participated with their armed forces in the common struggle against Germany namely:—

USSR
FRANCE

[Albania], Australia, Belgium, the Byelorussian Soviet Socialist Republic, Brazil, Canada, China, Czechoslovakia, Denmark, Greece, India, Luxembourg, the Netherlands, New Zealand, Norway, Poland, the Ukrainian Soviet Socialist Republic, the Union of South Africa and Yugoslavia.¹⁸

In addition representatives of States not represented on the Council will be invited to participate in the discussion and study of questions relating to the German Peace Treaty in which they have a direct interest.

2. The Council of Foreign Ministers will establish for the study of questions relating to the German Peace Treaty four permanent Committees:—

- (a) Committee on the political and constitutional structure of Germany.
- (b) Committee on territorial adjustments and related problems.
- (c) Committee on the economic organisation of Germany and reparations.
- (d) Committee on disarmament and demilitarisation.

USSR

3. [The permanent committees will consist of representatives of the Four Powers Members of the Council]

FRANCE

[The permanent committees will be composed of the Four Powers Members of the Council. They will invite the Allied States concerned in the problems under consideration to participate in the study and discussion of these problems.]

UK

[The permanent Committees will consist of representatives of the Four Powers Members of the Council and of representatives of such of the Allied States mentioned in paragraph 1 as may decide to be represented thereon. The chairmanship of each

¹⁸ In CFM(D) (L) (47) (G) 78 Revised, "[Pakistan]" was inserted between Norway and Poland as a proposal favored by France, the United Kingdom and the United States. At its 6th Meeting, December 1, the Council of Foreign Ministers agreed to include Pakistan in the list of Allied States to be consulted.

Committee will be held in rotation by representatives of the Four Powers.]¹⁹

US [The permanent committees will consist of representatives of the Four Powers Members of the Council who will exercise in rotation the chairmanship of the Committees, and also of a convenient number of representatives drawn from the Allied States mentioned in paragraph 1.]

4. The work of the Committees will be directed and co-ordinated by the Deputies. The committees will submit to the Council of Foreign Ministers or to the Deputies reports and recommendations including draft articles of the Treaty. Such reports will reflect any divergencies of view that may have arisen, [and will include the proposals presented by the Allied States who have participated in the discussions.]²⁰

FRANCE

UK

US

5. Each of the four Committees will appoint sub-committees, as and when necessary, to examine particular questions; the sub-committees will continue to operate as long as is necessary to carry out the work entrusted to them. They will report to the permanent Committees, to which they will submit their recommendations and whenever unanimous agreement has not been reached, any divergencies of view that may have been expressed.²¹

FRANCE

6. [The membership of these sub-committees will be determined in each case by the permanent Committees which will invite the Allied States concerned in the problems under consideration to be members thereof.]

UK

US

[Membership of these sub-committees will be determined in each case by the permanent Committees, which will invite a convenient number of rep-

¹⁹ In CFM(D) (L) (47) (G) 78 Revised, the United Kingdom Delegation proposed the following alternative to this bracketed sub-paragraph:

"[Each permanent Committee will consist of representatives of the four Powers members of the Council, together with a maximum of ten of the Allied States mentioned in paragraph 1 of part II. These vacancies will be evenly distributed among such of those Allied States as wish to take part, by the four powers and the Allied States sitting together for this purpose. If sufficient candidates are not found in every case, it will not be necessary to make up the full number of ten. The Chairmanship of each Committee will be held in rotation by the representatives of the four powers.]"

²⁰ At its 7th Meeting, December 2, the Council of Foreign Ministers approved this paragraph, inclusive of the bracketed passage.

²¹ This paragraph was approved by the Council of Foreign Ministers at its 7th Meeting, December 2.

representatives of the Allied States mentioned in paragraph 1 to be represented thereon.]²²

USSR

[The composition of the sub-committees will be analogous to the composition of the permanent committees. The sub-committees may invite representatives of other States to present their views on questions in which they have direct interest.]

7. The Council of Foreign Ministers will establish an Information and Consultation Conference of Allied States with the following duties:

(1) To keep the Allied States regularly informed on the work of the Council of Foreign Ministers in connection with the preparation of the Peace Treaty;

(2) To communicate to the Allied States all the documentation of the Council of Foreign Ministers concerning the preparation of the Treaty (particularly, decisions and directives and also reports of committees and sub-committees, etc.) which may be of use for their information;

(3) To communicate to the Allied States with the agreement of the originating Government the memoranda, statements and other documents submitted to the Council of Foreign Ministers;

(4) To organise consultation of the representatives of the Allied States:

(a) on the questions set forth in the memoranda and oral statements of the representatives of the Allied States relating to the German problem;

(b) on information and documents communicated to the Allied States under paragraphs 1 and 2 above.

In the process of such consultation it will be open to the representatives of the Four Powers to seek the views of the representatives of the Allied States who are Members of the Conference and for the repre-

²² In CFM(D) (L) (47) (G) 78 Revised, the first sub-paragraph proposed by the French Delegation and the second sub-paragraph proposed by the American and British Delegations was deleted and replaced by the following joint French-American-British proposal:

"[The composition of the sub-committees will be determined in each case by the Permanent Committees, who will invite a convenient number of the Allied States mentioned in paragraph 1 to be members thereof, including those most closely concerned with the problems under consideration.]"

representatives of these Allied States to comment, ask questions and receive answers, in writing or orally, upon any matter treated in the information or documents brought to their knowledge.²³

USSR

[The Information and Consultation Conference will consist of representatives of the Four Powers Members of the Council and of the Allied States which are neighbours of Germany or which participated with their armed forces in the common struggle against Germany, namely: Albania, Australia, Belgium, the Byelorussian Soviet Socialist Republic, Brazil, Canada, China, Czechoslovakia, Denmark, Greece, India, Luxemburg, the Netherlands, New Zealand, Norway, Poland, the Ukrainian Soviet Socialist Republic, the Union of South Africa and Yugoslavia.]

FRANCE

[The Information and Consultation Conference will consist of representatives of the Four Powers Members of the Council and of the following Allied States:*

**Note by French Delegation.*

The French Delegation proposes that the total number of States participating in the Information and Consultation Conference should be increased only by a very small number of Allied States which would in any case include Iran.²⁴

The other Allied belligerent States and ex-enemy States which subsequently participated in the war against Germany on the side of the Allies will be kept informed of the work of the Council in the manner provided in paragraphs (2) and (3) of this Article. These States may transmit to the Conference in writing their observations on the documents communicated to them. They may also ask questions in writing upon any matter treated in these documents]**

US

[The Information and Consultation Conference will consist of the representatives of the Four Powers, Members of the Council, and of all states at

²³ All of paragraph 7 to this point was approved by the Council of Foreign Ministers at its 7th Meeting, December 2.

²⁴ In CFM (D) (L) (47) (G) 78 Revised, the British Delegation joined the French Delegation in proposing this note.

war with Germany and of Allied States which are neighbours of Germany]**

****Note by U.K. Delegation.** (Not discussed by the Deputies)²⁵

The U.K. Delegation is in sympathy with the aim of the U.S. and French proposals, but reserves its final opinion. It suggests, however, as a possible solution, that there should be established two separate Conferences:—

(1) A Consultation Conference, with membership limited to the Four Powers Members of the Council and the Allied States which are neighbours of Germany and other Allied States which participated with their armed forces in the war against Germany, and also a limited number of other Allied States, including Iran, who rendered effective assistance. This Conference would fulfil all the functions envisaged for the Information and Consultation Conference—i.e. sub-paragraphs (1) to (4) of paragraph 7 above.

(2) An Information Conference, membership of which would include the Four Powers members of the Council and all States at war with Germany who wished to participate. These states would be supplied with the information and documents communicated to the members of the Consultation Conference under sub-paragraphs (2) and (3) of paragraph 7. It would be open to such states to comment in writing upon any matter treated in the information or documents brought to their knowledge.

The chairmanship of the Conference will be held in turn by the representatives of the Four Powers. They will act in concert, in the Conference, according to the instructions which they will receive from the Ministers or the Deputies.

The Foreign Ministers will be kept informed of the proceedings of the Information and Consultation Conference by their representatives on this Conference.

740.0011 E.W. (Peace)/4-1447

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

Moscow, April 14, 1947.

DEAR MR. BEVIN: I have carefully considered your letter of April 11²⁶ regarding the signing of the German Peace Treaty.

I am glad that you appreciate our wish to spread responsibility for the acceptance of the Treaty over the German people as a whole, and to avoid so far as possible a repetition of the developments which followed the signature of the Versailles treaty by the German Government.

²⁵ In CFM(D)(L)(47)(G)78 Revised, the British Delegation withdrew this note.

²⁶ *Ante*, p. 450.

I agree with you that if we insert in the constitution a clause which requires the acceptance and ratification of the Peace Treaty and the constitution is adopted by the German people, we will accomplish the principal purpose I had in mind. I will not object to the Treaty being signed and ratified by the German Government in accordance with its constitutional mandate.

Faithfully yours,

[GEORGE C. MARSHALL]

[For the Secretary of State's personal report to President Truman on the status of proceedings in the closing stages of the Council's session, see telegram 1425, Kosmos 48, April 17, from Moscow, page 351.]

CFM Files : Lot M-88 : Box 58

*Report by the Deputies for Germany to the Council of
Foreign Ministers*²⁷

SECRET

Moscow, April 23, 1947.

CFM (47) (M) 148

The Deputies submit to the Council of Foreign Ministers the following statement of agreements and disagreements arrived at in discussions during the present session on items 1 and 2 of the agenda.

PART I

On the questions of demilitarization, denazification, democratization, population transfers and territorial reorganization the Deputies recommend to the Council of Foreign Ministers that agreements be referred to the Control Council as directives for action.

The United States, French and Soviet Delegations recommend that disagreements should be referred to the Control Council for information and study. The U.K. Delegation reserves its position on the question of the action to be taken on these disagreements.

I. AGREEMENTS

1. *Demilitarization*

The Control Council

(1) shall accelerate the work of destruction of German military material and the demolition of all the military establishments and

²⁷ This Report was prepared in pursuance of the decision by the Council of Foreign Ministers at its 4th Informal Meeting, April 22, 1947, 6 p.m. (see telegram 1511, Delsec 1458, April 22, from Moscow, p. 374), that the Deputies for Germany draw up a paper showing the status of the German questions discussed at the Conference. This Report was considered by the Council at its 42nd Meeting, April 23, 1947. For the actions taken by the Council at that meeting with respect to the Report, see the Record of Decisions, p. 381.

installations intended for carrying on war on land, on sea and in the air, in accordance with the programme already in progress by the Allied Control Council under directives 22 and 28 as amended, which looks forward to the completion of this work by 31st December, 1948, if possible.

(2) shall complete the plan for the liquidation of the plants constructed especially for the production of war materials (Category I) prior to July 1st, 1947.

(3) shall effectively complete the liquidation of factories in Category I before 30th June, 1948.

The U.K. Delegation states that it can accept the above date but reserves the right to report to the Control Council if difficulties arise in the completion of the task by the date established and to request an extension should this prove necessary.

(4) shall verify with the aid of quadripartite commissions the operations for the liquidation of war potential provided for in the preceding paragraphs.

2. *Denazification*

The Control Council is directed

(1) To take all appropriate measures to hasten the process of Denazification throughout Germany in accordance with Control Council Directives Nos. 24 and 38.

(2) To complete as soon as possible the removal of former active Nazis and militarists from public and semi-public office and from positions of responsibility in important private undertakings and to study the possibility of fixing a date for the completion of this process.

(3) To take all measures necessary to ensure that only those individuals are employed in a judicial capacity or as public prosecutors who are considered by reason of their political and moral qualities to be capable of assisting the development of genuine democratic institutions in Germany.

(4) To concentrate upon and to hasten the bringing to trial of war criminals, members of Nazi criminal organisations and of active supporters of the Nazi regime, without requiring the indiscriminate trial of the mass of nominal members of the Nazi Party.

(5) To take action in the near future through Zone Commanders to devolve upon the appropriate German authorities responsibility for carrying out Control Council Directives Nos. 24 and 38 by passing the necessary German legislation and to ensure through the Zone Commanders that the effect of the legislation so passed is such as to produce uniform treatment of all former Nazis and militarists corresponding to their degree of responsibility, while at the same time giving the German authorities discretion as to the precise methods by which they carry out this task.

3. *Democratisation*

The Control Council

(1) shall ensure the carrying out and completion of land reform in all zones of occupation in Germany in 1947.

(2) shall establish in all of Germany a free exchange of information and democratic ideas by all media, this exchange to be limited only by the requirements of military security, the needs of the occupation, the necessity of ensuring that Germany carries out her obligations to the Allies and the necessity of preventing the resurgence of National Socialism and militarism. This exchange should not be subject to any pressure of any sort, administrative or economic, on the part the central government or of the *Laender* Governments.

4. *Population Transfers*

(1) The Council of Foreign Ministers confirms the agreements reached by the Allied Control Council for Germany recorded in Section VII, Part 2, paragraph 5, of its Report under the title *United Nations Displaced Persons* as follows:

(a) Accredited representatives of interested nations whose citizens are still in camps and assembly centres allotted to Displaced Persons should have the right to visit these places when accompanied by officers of the occupation forces for the purpose of conferring with these persons.

(b) All propaganda directed against United Nations interests or against repatriation will be forbidden in Displaced Persons Camps.

(c) Distribution of newspapers, magazines and pamphlets published and printed in the countries of which Displaced Persons are citizens shall be allowed in Displaced Persons Camps. The exhibition of films produced in their native countries shall be permitted in Displaced Persons Assembly Centres after approval by proper Allied Control Authority Agencies. These Displaced Persons shall also be allowed unrestricted use of international communications facilities to correspond with their relatives and acquaintances in their home countries. The accredited repatriation Liaison Officers of the United Nations may carry between the Zones and their home countries letters from United Nations Displaced Persons.

(d) Organisations established for carrying on the humanitarian task of tracing missing United Nations Displaced Persons and Prisoners of War shall be continued and that all such organisations should instruct German authorities to furnish all necessary facilities required by such organisations.

(e) Arrangements should continue for the census and registration of all property and belongings of United Nations Displaced Persons and that the German authorities should be instructed to continue to give all possible assistance towards the legitimate return of this property with the minimum of delay.

(f) Arrangements should be continued for the repatriation of the remains of deceased United Nations nationals upon request of the countries concerned and that the German authorities should be in-

structed to continue to grant all necessary facilities for such purposes.

(g) Arrangements should continue for the care and maintenance by the German Authorities of the graves of United Nations nationals who died in Germany.

(2) Council of Foreign Ministers agrees upon the following principles with reference to United Nations Displaced Persons in Germany and to population transfers.

(a) Any war criminals found in Displaced Persons Camps are to be turned over under guard to the Military Command of the countries concerned upon due request and upon production of satisfactory evidence that the individuals whose transfer is requested are in fact war criminals.

(b) All "Committees", "Centres", and other similar organisations which may be found to be engaged in activities hostile to the interests of any of the Allied Powers will be immediately disbanded.

(c) The voluntary repatriation of Displaced Persons who are now in Germany will be accelerated.

(d) Control Council shall study further the whole question of the transfers of population into Germany with a view to directing to the areas best able to receive them those populations whose transfer to Germany may be decided in the future. Account shall be taken in this study of the situation existing in each Zone.

The recommendations and decisions confirmed or taken by the Council of Foreign Ministers are transmitted to the Control Council for Germany and to the Commanders-in-Chief of the occupation forces of Germany for appropriate action within their spheres of competence.

II. DISAGREED QUESTIONS

1. *Demilitarisation*

The positions of the various Delegations on the questions upon which no agreement has been reached under this heading are set out in the following paragraphs of document CFM(47)(M)132²⁸

(a) Paragraph 4: Liquidation of Factories in Categories II, III and IV.

(b) Paragraph 6: German Military Formations.

(c) Paragraph 7: Non-German Units and Services.

2. *Democratization*

The positions of the various delegations on the questions on which no agreement has been reached under this heading are set out in the following paragraphs of Documents CFM/47/M/132 and CFM/47/M/93:²⁹

²⁸ The document under reference, dated April 15, 1947, not printed, was a redraft of the Report of the Special Committee, CFM(47)(M)122, April 11, 1947, p. 446.

²⁹ *Ante*, p. 427

- (a) Paragraph 1 (CFM/47/M/132)—Supervision of Elections
- (b) Paragraph 4 (CFM/47/M/132)—Basic Human Rights
- (c) Paragraph 1, Part II (CFM/47/M/93)—Political Parties and Trade Unions
- (d) Paragraph 2, Part II (CFM/47/M/93)—Electoral Procedure
- (e) Paragraph 3, Part II (CFM/47/M/93)—Freedom of Movement
- (f) Paragraph 4, Part II (CFM/47/M/93)—Education.

3. *Transfer of Populations*

The positions of the various delegations on the questions on which no agreement has been reached under this heading are set out in the following paragraphs of Document CFM/47/M/93:

- (a) Paragraph *a*—Resettlement of DP's Outside Germany
- (b) Paragraph *b*—Administration of Displaced Persons Camps
- (c) Paragraph *c*—Special Quadripartite Investigation Committee
- (d) Paragraph *d*—Suspension of Transfers of Population
- (e) Paragraph *e*—Organization of German emigration
- (f) Paragraph *f*—Reference of Problem to International Refugee Organization
- (g) Paragraph *g*—Costs of DP Maintenance
- (h) Paragraph *h*—Redistribution of Refugees and Expellees
- (j) Paragraph *j*—Enlistment of DP's in Units and Services

4. *Territorial Reorganization*

The positions of the various delegations on the questions on which no agreement has been reached under this heading are set out in the following paragraphs of Document CFM/47/M/93—Territorial Reorganization.

- (a) Paragraph 1—Definition of administrative and territorial divisions
- (b) Paragraph 2—Future territorial changes

PART II

ECONOMIC PRINCIPLES, THE LEVEL OF POST-WAR GERMAN ECONOMY AND REPARATIONS PLAN

The position of each Delegation on all agreed and unagreed points has been taken subject to the general reservations contained in the following statement which serves as a preamble to Economic Principles, Section VII, CFM(47) (M) 74:³⁰

“The position of each Delegation with respect to each specific proposal is dependent upon reaching agreement as a whole on the related

³⁰ *Ante*, p. 409.

problems of the level of industry, reparations and the treatment of Germany as an economic unit.

"The French Delegation adds the following reservations: It cannot agree to any settlement of these three questions without prior settlement of the question of the export of coal in conformity with the demands of the French Government. The French Government repeats that it is ready to accept that Germany should be treated provisionally within its present borders as an economic unity without awaiting the determination of the future status of the Ruhr and Rhineland or prejudging the political and economic regime of those regions, and on the condition that the Saar should immediately be incorporated in the economic and monetary sphere of France.

"The Soviet Delegation declares that it approaches the consideration of economic principles in an organic connection with the question of reparations to which, as was stated by the head of the Soviet Delegation, the Soviet Government attaches paramount importance. In considering separate proposals advanced by various delegations concerning economic principles and especially with regard to reparations, the Soviet Delegation sees a series of points on which it can find a common solution of questions, only, however, having in view that it will meet reciprocity in the question of reparations to which it attaches a special importance."

I. ECONOMIC PRINCIPLES

A. *Agreed point*

1. *Common Sharing of Resources*

All delegations are agreed in principle that there should be a sharing of indigenous resources in Germany and that commodities in short supply should be allocated on a basis of uniform rations. Agricultural production shall be maximized and industry reactivated on peaceful lines as soon as possible and imports into Germany shall also be used on a common basis. (Section VII, paragraph 1, CFM(47) (M)74)

B. *Unagreed points*

The following points, numbered in accordance with Section VII of CFM(47) (M)74, are not agreed:

2. Export-Import Plan
3. Sharing of Import Deficits
4. Financial Reform
5. Subjection of Resources in Germany to German Law
6. Occupation Forces and their Requirements
7. Freedom of Movement
8. Control of the Ruhr
9. Annulment of the Bi-Zonal Agreement
10. Economic Decentralization and De-cartelization
11. Allied Control over Internal Allocations in Germany

The Deputies recommend to the Ministers that all agreed and unagreed points be referred to the Allied Control Council for informa-

tion. The Soviet Deputy proposes that the unagreed points be referred by the Ministers to the Deputies for study. The French Deputy agrees with this proposal. The United States and United Kingdom Deputies reserve their positions.

II. LEVEL OF POST-WAR GERMAN ECONOMY AND REPARATIONS PLAN

A. *Agreed point*

Reparations

The four Delegations agree to direct the Control Council to determine within three months following the completion of the Plan for Reparations and the Level of Post-war German Economy to establish the lists of the plants and the amount of equipment taken away or to be taken away within the four zones as reparations. (Section VIII, paragraph B, 1, CFM (47) (M) 74)

B. *Unagreed points*

All other points discussed in Section VIII of CFM(47)(M)74, dealing with the level of the post-war Germany economy and the reparations plan were not agreed. The Deputies note, however, that the following text on the level of the post-war German economy

“The four Delegations agree on the necessity of a revision of the plan for reparations and the level of German post-war economy.” (excerpt from Section VIII, paragraph A, 1 CFM (47) (M) 74)

includes an agreement in principle. This text is included among the unagreed points because of the number of specific reservations attached to the manner of the implementation of the principle.

The Deputies recommend to the Ministers that all agreed and unagreed points on the level of the post-war German economy and the reparations plan be referred to the Allied Control Council for information. The Deputies further recommend to the Ministers that part B, 10 of Section VIII of CFM (47) (M) 74, which is not agreed, be referred by the Ministers to the Deputies for study. The Soviet Deputy proposes that the other unagreed points be referred to the Deputies for study. The French Deputy agrees with this proposal. The United States and United Kingdom Deputies reserve their positions.

PART III

FORM AND SCOPE OF THE PROVISIONAL POLITICAL ORGANIZATION OF GERMANY (CFM (47) (M) 121)³¹

The Deputies submit to the Council of Foreign Ministers the following statement regarding the agreed and disagreed points which

³¹ *Ante*, p. 436.

resulted from the Council's discussion during the present session on the Form and Scope of the Provisional Political Organization of Germany. (CFM (47) (M) 121)

GENERAL RESERVATION ON THE DOCUMENT AS A WHOLE

All Delegations agree that any decision on the political organization of Germany is conditional upon the prior establishment of German economic unity.

A. *Central Administrative Agencies*

All Delegations agree to accept:

Paragraph 1 (a) and (b)

The French Delegation accepts these two paragraphs only on condition that agreement is reached on paragraphs 2 and 3.

Paragraph 4.

Agreement was not reached on the following paragraphs: 2, 3, 5, 6, and 8.

Paragraphs 5 and 6 were combined and paragraph 7 was omitted.

B. *Establishment of a German Advisory Council*

All Delegations agreed to accept:

Paragraph 1.—Date of the Establishment of the Council

The agreement of the French Delegation to this text is conditional on the final determination of the frontiers of Germany having been settled by that date.

Paragraph 3.—The Functions of the Council

All Delegations are agreed that "the German Advisory Council shall advise the Control Council on the general aspects of the work of the Central Administrative Agencies. This Advisory Council will also have as its task to work out within the framework of general principles laid down by the Control Council the details of a provisional constitution. The principles referred to will conform to such directives on the subject as may be issued by the Council of Foreign Ministers."

The United States Delegation makes the following statement regarding this and subsequent parts of this report. The U.S. Delegation has agreed to the preparation of a provisional constitution on the understanding that it shall be general in nature and shall contain no more than the minimum required to operate the provisional government for the short time needed for the preparation of a permanent constitution.

The Soviet Delegation in agreeing with paragraph 3 considers that the Control Council will define a more concrete form and procedure of consultation on the part of the Advisory Council.

No agreement was reached on :

Paragraph 2.—Composition of the Council

C. *Establishment of Provisional Government.*

No agreement was reached on this section.

D. *Provisional Government*

No agreement was reached on this section.

E. *The Division of Powers Between the Provisional Central Government and the "Laender" Governments.*

1. *The basic principle of the division*

No agreement was reached on this paragraph.

2. *Powers of the Central Government*

All Delegations agreed on the following texts :

Introductory paragraph :

"The Soviet, United Kingdom, United States and French Delegations agree that: The Central government shall be competent to adopt legislative and executive measures in order to ensure the unity necessary in the following fields:

"a. To ensure the political unity necessary: (The rest of this sub-paragraph was not agreed).

"b. To ensure the legal unity necessary :

"The French, United States, Soviet and United Kingdom Delegations consider that the Council of Foreign Ministers should define the extent to which the Central German Government should be responsible for ensuring legal unity. They have therefore accepted the following text: fundamental principles of criminal, civil and commercial law; copyrights, patents and trademarks; negotiable instruments, bills of lading and other documents of title of goods.

"c. To ensure the economic unity necessary :

- (1) The Soviet, French, United States and United Kingdom Delegations have agreed to place within the competence of the Central Government, customs, foreign trade, import and export control, and weights and measures."

(The subsequent subparagraphs of c. were not agreed)

"d. To ensure the financial unity necessary :

- (3) The Soviet, French, U.S. and United Kingdom Delegations consider it necessary that the question of a budget for common purposes should also be included within the competence of the Central Government."

(The preceding subparagraphs of d. were not agreed.)

The agreement on these points is subject to the general reservations of the French and U.S. Delegations mentioned in subparagraphs *e.* and *f.*

No agreement was reached on the remaining parts of subparagraphs *a, c, and d.*

Paragraph 3—Powers of the “Laender” Governments.

No agreement was reached on this paragraph.

The UK, Soviet and French Delegations agree that the document CFM/47/121 (Form and Scope of Provisional Political Organization of Germany) was already referred to the Deputies by a decision of the Council at the 27th Meeting. The United States Delegation is not clear that such a decision has already been made, but is ready to concur if that is the case.

PART IV

LIQUIDATION OF PRUSSIA

The Council of Foreign Ministers confirmed at its 1st Meeting on 10 March 1947 the Control Council Law on the Liquidation of Prussia.

The Deputies recommend that this decision be notified to the Control Council.

PART V

PROCEDURE FOR THE PREPARATION OF THE GERMAN PEACE TREATY (CFM/47/M/125)^{31a}

The Deputies have considered the document on the Procedure for the Preparation of the German Peace Treaty. This document contains points of agreement and disagreement. The United States, French and Soviet Deputies recommend that the Council should remit the document to the Deputies for further consideration. The United Kingdom Deputy reserved his position on this proposal.

The United Kingdom Deputy makes the reservation that agreement on parts of this document does not mean that parts of the procedure for a German peace treaty should be put into operation before there is agreement on the whole procedure.

CFM Files : Lot M-88 : Box 58

*The Council of Foreign Ministers to the Allied Control Council
for Germany*

SECRET

Moscow, May 10, 1947.

CFM (47) (M) 158

The General Secretariat of the Moscow session of the Council of Foreign Ministers has the honour to inform the Allied Control Coun-

^{31a} *Ante*, p. 452.

cil for Germany that the Council of Foreign Ministers at its 42nd meeting on April 23, 1947 approved with certain amendments the Report of the Deputies for Germany (doc. CFM/47/M/148).³² The amendments to the Report of the Deputies are set forth in Section I of the Provisional Record of Decisions of the 42nd meeting of the Council of Ministers³³ which has been agreed upon by the Secretaries of the four Delegations.

As it follows from the abovementioned document the Council of Foreign Ministers has transmitted the agreed decisions with regard to demilitarization, denazification, democratisation, transfer of population and territorial reorganization to the Control Council for Germany as a directive for its guidance and action.

At its 42nd meeting the Council of Foreign Ministers has likewise adopted a decision with regard to the return of German prisoners of war to Germany. This decision is stated in doc. CFM/47/M/153³⁴ (see Section III of the Provisional Record of Decisions of the 42nd meeting of the Council of Ministers).

At its 43rd meeting on April 24, 1947, the Council of Foreign Ministers took the following decision:

“Finding it necessary to limit the occupation forces in Germany the Council agreed to suggest that the Allied Control Council in Germany should consider this question and determine the size of armed forces of the USA, United Kingdom, France and the USSR in Germany as on September 1, 1947. The Control Council will report its decision to the Council of Foreign Ministers not later than June 1, 1947.”³⁵

The General Secretariat has the honour to attach herewith the following documents: CFM/47/M/148, CFM/47/M/153 and the Provisional Record of Decisions of the Council of Ministers adopted at its 42nd meeting on April 23, 1947—two copies in Russian and French each and four copies in English. These documents have already been circulated in sufficient number to the four Delegations.

³² *Ante*, p. 461.

³³ *Ante*, p. 381.

³⁴ For the text of the document under reference here, see footnote 27, p. 382.

³⁵ The concluding phrase of the first sentence, “as on September 1, 1947”, was not included in the provisional Record of Decisions of the Council’s 43rd Meeting, April 24, 1947, Item IV, p. 386, which this paragraph quotes. Nor was the phrase included in this document as originally transmitted to the Allied Control Council. As a result of a request by the United States, this phrase was added as a corrigendum to this document, dated May 28, 1947.

2. Economic Affairs in the United States, British and French Zones of Occupation in Germany

740.00119 Council/4-1447 : Telegram

*The United States Military Governor for Germany (Clay) to
Major General William H. Draper at Moscow*³⁶

SECRET
PRIORITY

BERLIN, April 11, 1947.

CC-8766. For Draper. Reference your memorandum of April 9.³⁷ I cannot see why the questions raised by Robertson need to be decided in Moscow as the decisions involved cannot be carried out until after the completion of Moscow Conference. The questions require careful consideration and mutual discussion between American and British Military Government. I believe that the basic difficulties in making the bizonal economic agencies effective are more fundamental than appear on the surface and require considerable reconciliation of American and British viewpoints. I have no objection in principle to the concentration of bizonal agencies in one city, subject to being able to provide the requisite facilities and communications. I also agree that the bizonal agencies should be required to insure their efficiency. However, I do not believe that this can be done without considerable difference in present thinking. The tendency of the Germans is to an almost complete regimentation of German economy and they have considerable British sympathy for this purpose. Having been intimately connected with war time controls, I know that many thousand people would be required and these people are not available. The present German agency is much too large for broad policy actions and yet many times too small for detailed controls. My own view is that allocations are going to have to be made either on *laender* basis or broad industry basis with priorities limited to the Import Export Program and with procurement from outside sources directed to Import Export Agencies if the program is to really gain momentum. The effort now being made to direct materials by plant and to control distribution of many commodities cannot possibly succeed without months if not years of effort to establish the requisite organization. I agree as to the desirability of some political body being established for both zones subject, of course, to the consent of both governments. I have no confidence whatsoever in an advisory council and I am unwilling to establish the

³⁶ The source text, a copy included among the papers of the United States Delegation to the Moscow Session of the Council of Foreign Ministers, is initialed by Secretary of State Marshall.

³⁷ The memorandum under reference here has not been found. It apparently reviewed earlier discussions with the British regarding measures to improve the efficiency of German bi-zonal agencies. Gen. Robertson's views on this issue were summarized in his conversation with Gen. Draper on April 15; see Draper's memorandum to the Secretary of State, April 15, p. 333.

precedent of giving political responsibility to such a council which includes representatives of political parties and trade unions not responsible or elected by the German people. If we later succeed in getting quadripartite government, we may well have established a precedent for communist control. I do not see how we can establish a bizonal revision of the level of industry based on any specific figure without more study than we have as yet given to it and even this revision must be tentative until we know what is to happen to Germany as a whole. Of course, I had already agreed with Robertson to study the level of industry required for our 2 zones only and to list and publish the reparations plants above such a level of industry for evaluation and allocation. I have no objection to this although I would not be prepared to make further deliveries to USSR unless desired by our government as in the event of failure to agree on a United Germany, such deliveries should be offset by the production already taken out of Germany by the USSR. With due regard to the feeling with respect to reparations deliveries, McJunkins advises me that many of the war plants already allocated have not yet been called for by the recipient countries and that furthermore it will tax all available transport to deliver during the remainder of this calendar year the tonnage now under allocation. I believe that any foreign commitments should await Robertson's return and full discussion here in Berlin after which we can make such recommendations jointly to our governments as appear desirable. I urge that no bilateral agreements be made in Moscow until they have been studied here to determine their full implications. I am even more concerned than Robertson with obvious failure of bizonal agencies to get under way satisfactorily. However, I am sure this results from an effort to centralize far beyond the capacity and competency of any German administration which we can hope to build up now and that we can be successful only by decentralization. All major contracts to date have resulted from initiative at *land* level and have been in spite of rather than because of bizonal agency.

CLAY

740.00119 Control (Germany)/4-1547 : Telegram

*Major General William H. Draper to the United States Military Governor for Germany (Clay) at Berlin*³⁸

SECRET

Moscow, April 11, 1947.

MA 51238. Personal for Clay from Draper. Delegation has suggested I cable you the following memorandum to Secretary from

³⁸ The source text was sent to the Department of State as enclosure 1 to despatch 106, April 15, 1947, from the United States Delegation at the Council of Foreign Ministers in Moscow, not printed. Enclosure 2 to the despatch just

Footnote continued on following page.

Mason and myself and that I request your comments by cable in view of importance of decisions involved:

“Mr. Bevin plans to see you soon concerning a proposal on the level-of-industry. This morning we discussed with Hall-Patch what Mr. Bevin proposed to do. According to our information he will seek an opportunity at the Council to propose Four-Power agreement on a revised level-of-industry based on a steel production of 10 million tons (11½ million tons capacity to be left in place). The British expect (and so do we) that the Soviet Delegation will immediately raise the question whether this provides for reparations from current output in accordance with the Soviet demand. The answer being “no”, it is expected that the Soviet Delegation will not agree. It is also expected that France will not agree because of the steel figure.

If this is the outcome, Mr. Bevin plans to indicate that he regards himself as free to take whatever action is appropriate regarding the level-of-industry. In this connection he will seek a US-UK agreement to announce:

1) That the bizonal area will undertake a revision of the level-of-industry based on a 10 million ton production of steel (capacity of 11½ million tons to be left in place).

2) That plant and equipment will be moved as soon as the new level has been determined and the plants available for removal are listed.

3) That, in the interval, 15-20, or some larger number of plants drawn from categories II, III or IV will be allocated.

4) That the allocation of plant and equipment mentioned in (2) and (3) will be to the east as well as the west according to the Potsdam formula.

Recommendation: We agree that Four-Power agreement should be sought. We are convinced, with the British, that it will not be attained.

We think that, in this event, public announcement of a US-UK agreement should be postponed for two or three months pending the completion of the study and the listing of plants. A public announcement during the Conference or shortly thereafter, would, we believe, be too indicative of a break in relations. Russia and France should be given some opportunity of reconsidering their positions.

We should, however, agree with the British before the end of the Conference:

(1) To undertake a study of the appropriate new level-of-industry immediately;

(2) To list the plants thereby made available for allocation;

cited was the following text of a telegram from Draper to Clay, dated April 13, 1947, transmitted as telegram 257 through the Office of the United States Political Adviser at Berlin:

“Secretary and Delegation generally favor acceptance points 1, 2 and 4 of Bevin's proposal sent you in previous cable but withholding public announcement for the time being. In view this question actively under discussion, Secretary wishes to know if you would desire to participate in discussion here.”

(3) To allocate. (General Draper does not agree. He believes that agreement to allocate should await the completion of the study and the listing of plants);

(4) Issue the appropriate directives to our authorities in Berlin.

We do not agree that allocation of plants outside of Category I should be undertaken before completion of the study. As soon as allocation is begun a decision will have to be made on allocations to France and Russia. This is a serious decision which should be postponed until these countries have had a chance to reconsider positions taken at this Conference.

If Mr. Bevin insists, however, on immediate allocations and if you agree with him, there are three possible positions regarding allocations to France and Russia:

(1) No allocations to these countries.

(2) Allocations to France and Russia but with the U.S. and U.K. selecting the plants if USSR and France refuse to cooperate and holding them in reserve pending economic unification.

(3) Allocation and shipments to all countries in accordance with the Potsdam formula.

Mr. Bevin, as indicated above, will support the 3rd position.

We advise the acceptance of the 2nd position though there is disagreement in the American Delegation on this matter."

740.00119 Council/4-1447

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

Moscow, 14th April, 1947.

DEAR MR. MARSHALL: I have had some telegrams during the past two days from Berlin which have caused me a good deal of concern. It seems that there are rather wide differences of opinion as to how our joint arrangements for the economic fusion of our Zones should work, and there has even been an indication given that it might be better to cancel these arrangements and work our own Zones separately. In view of the statements which we have both made here at the Conference table I feel that this is rather a serious matter.

I am sure that you would wish to have General Clay's advice and his account of what has been taking place in Berlin recently. Do you think that it would be possible to get him here within the next few days, so that he and Robertson could talk things over frankly between them and then report generally to yourself and me?

Yours sincerely,

ERNEST BEVIN

749.00119 Council/4-1447 : Telegram

*The United States Military Governor for Germany (Clay) to
Major General William H. Draper at Moscow*³⁹SECRET
URGENT

[BERLIN, undated.]

Relative your radio MA-51238,⁴⁰ I cannot recommend any definite figure for steel capacity to be left in Germany. In any event, it should first be fixed to meet needs of Western Germany on a self-sustaining basis which in view of larger export program because of excess concentration of population may well be larger than required for Germany as a whole. The figure of ten million tons is pulled out of the hat as far as I am concerned. I had agreed some time ago with Robertson for a joint study to be placed before our respective governments. Also, I would not want to agree to allocate any more plants to Soviets prior to economic unification. In event Germany is separated, they should be required to give up these plants in payment for products taken into reparation. I would also doubt advisability of indirect allocations to Soviet-dominated countries if economic unity fails. Obviously, IARA would have great difficulty in handling allocations on this basis. I point out that regardless of allocation, we cannot move any more than the quantities now allocated this calendar year. I urge that no commitments be made with the British other than to study the problem with a deadline date of say 1 July for reporting to our governments. In view of my recommendation, I do not see how I can contribute to discussion and I have no desire to do so in view of my obligations here. If the Secretary desires or needs me, I am, of course, at his disposal.

[CLAY]

CFM Files : Lot M-88 : Box 95 : Saar

*Draft Memorandum of Conversation*⁴¹

SECRET

[Moscow,] April 16, 1947.

Present: Mr. Cohen, Mr. Dulles, Mr. Matthews, Dr. Mason, Mr. Murphy, General Draper, Mr. Riddleberger, Mr. Kinkleberger, Colonel Bonesteel, Mr. Jacobs.

Mr. Mason explained that he had requested the meeting in order to discuss the position of the U.S. Delegation on the action to be taken

³⁹ The source text is a copy included in a collection of papers of the United States Delegation at Moscow. Another copy of this message in the same collection is initialed by the Secretary of State.

⁴⁰ *Ante*, p. 473.

⁴¹ This draft memorandum was probably prepared by George R. Jacobs.

with respect to the transfer of the Saar in the likely event that there is no quadripartite agreement on the problem.

Mr. Kindleberger said that a tripartite decision to detach the Saar and make it part of a Financial and Customs Union with France would lay the U.S. and Britain open to obstruction and bitter criticism by the Russians and such countries as Yugoslavia and Czechoslovakia, in ECO, with respect to coal allocations, in IARA, with respect to charging the reparations account of France, and possibly in ECITO where the Russians were also members. He said that any of these countries could ask for an official communication on the transfer of the Saar to France from either the CFM or the Allied Control Council and refuse to recognize the transfer and its implications for their particular problems without such official notice.

Mr. Cohen said that he thought the problem must be divided into several parts. He felt that we should try to accomplish as much of our objectives, that is the satisfaction of French desires with respect to the Saar, as possible without risking dangerous opposition. He felt that it should be possible to treat the Saar in somewhat the same way that the Polish-administered areas of Germany were being treated. He recalled that when Mr. Byrnes invited the other zones to join with the US zone in the widest possible German economic unity in Paris last July, he stated that he would welcome the adherence of the French zone less the Saar. If the French Zone were merged with the US-UK bizonal area, therefore, some arrangements would have to be made to leave the Saar out of the trizonal union and to permit the French to administer that separately. Any action the French should decide to take subsequently with respect to regarding the resources of the Saar as part of the French economy would rest with them. The United States would have to take a position on this action, if at all, only when it occurred. For the most part it might be possible not to take an open position but to support the French in silence or abstentions. If a public statement was eventually required it could say that the arrangements made were provisional.

Mr. Dulles said that he thought we should not let fear of the Russians' criticism stop our doing anything that we had agreed to do. If we did allow ourselves to be deterred by fear of Russian criticism, we would be able to do nothing.

Mr. Kindleberger said that the occasions on which the Russians or their satellites could make damaging criticism of the U.S.-British position, would be numerous and that there was real danger that a number of international objectives, such as those of the U.S. in ECO and IARA would suffer seriously. Mr. Cohen and Mr. Dulles thought

that these problems could be met by stating the U.S. position when the need arose.

The discussion then shifted to the exact nature of our commitments to the French. Mr. Mason pointed out that his discussions with Sir Edmund Hall-Patch had given him the impression that the British did not understand that the cession of the Saar to France deprived Germany of Saar coal and its export proceeds. It was recalled that the Secretary had agreed to the immediate detachment of the Saar and its incorporation in the French financial and customs union. This, it was stated, meant that Saar coal would have to be paid for in francs.

Mr. Mason and General Draper pointed out that the cost was probably of the order of 50 million dollars a year since the Saar was exporting about 345,000 tons of coal to the French and U.S. Zones and 100,000 tons of coal a month to France. Since coal sent to the U.S. and French zones would have to be replaced by Ruhr coal diverted from exports which brought \$10 a ton and the dollar proceeds of the exports of 100,000 tons a month would accrue to France rather than to the French occupying authorities in Germany, the net loss would be about 50 million dollars a year. It was agreed that there were not any balancing items of trade which substantially reduce this figure.

Mr. Dulles said that he felt that Mr. Bevin's frequent statements to the effect that he was not authorized by his Government to incur any further obligations on the British taxpayer made it clear that Mr. Bevin would not have agreed to the cession of the Saar if he had understood any cost to the British was involved.

Mr. Cohen said that the U.S. could not agree to cession of the Saar removing this coal from part of Germany's resources at least until there was a balance of German exports and imports. General Draper agreed.

Mr. Dulles said that he felt that one of the principal favorable results of the present Conference was the manner in which we had managed to bring the French closer to ourselves and the British and that we should do whatever we could so long as it did not increase our costs in Germany to help the French to stay close to us in their position. It was agreed that Mr. Mason would inquire of Sir Edmund Hall-Patch as to the British views on this problem.

740.00119 Council/4-1447

*Memorandum by the British Military Governor for Germany
(Robertson)*⁴²

SECRET

[Moscow, April 17, 1947.]

MEMORANDUM ON THE OPERATION OF THE FUSION AGREEMENT AFTER
THE MOSCOW CONFERENCE

Presented jointly to the U.S. and U.K. Secretaries of State by Major General W. Draper on behalf of the Commander-in-Chief and Military Governor of the U.S. Zone and Lieut. General Sir Brian Robertson on behalf of the Commander-in-Chief and Military Governor of the British Zone.

SECTION "A"—OPERATION OF ECONOMIC FUSION

1. The Fusion Agreement signed in New York on the 2nd December, 1946,⁴³ shall continue to be operated fully in the spirit in which it was conceived with the object of securing the maximum success in the joint administration of the economy of the Combined Zones.

2. While it is not necessary that there should be identity of views on the future political structure of Germany, the broad principles of the division of powers between the centre and the *Laender*, supported by the U.S. and U.K. Delegations in document CFM/47/M/121,⁴⁴ Section "E", as amended during its discussion in the Council of Foreign Ministers, shall be regarded for the purposes of the operation of fusion as the accepted policy of both Governments. These principles are summarized in Annexure "A".⁴⁵ They will be regarded for the present as applicable to the division of powers between *Land* govern-

⁴² The source text is marked "SECOND DRAFT. (Not yet approved by British Secretary of State.)". Attached to the source text is a copy of a letter, dated April 17, 1947, from General Draper to General Robertson which reads as follows:

"I have received your memorandum on the operation of the fusion agreement which will be brought to General Marshall's attention immediately. I see from your note that it is a first draft and not yet approved. But since it is drawn up as if presented jointly by you and me on behalf of our respective Commander-in-Chiefs, I must point out that I am not authorized to speak for General Clay on this matter. As you know, he believes that no specific decisions should be reached concerning the management of the bizonal area until you and he have had the opportunity of discussing the questions involved and of making joint recommendations. You indicated that Mr. Bevin would probably see General Marshall on Thursday [April 17] so I wanted you to have this word immediately."

⁴³ For the text of the Memorandum of Agreement under reference here, see Department of State Treaties and Other International Acts Series No. 1575 or 61 Stat. (pt. 3), 2475.

⁴⁴ *Ante*, p. 436.

⁴⁵ Annex A, not here printed, was an extract from Section E of document CFM(47)(M) 121.

ments on the one hand and Military Government and the Bi-Zonal Administrations on the other hand.

3. (a) The Bi-Zonal Administrations shall be concentrated in one area. The choice of location for this purpose shall be determined primarily by the speed at which an efficient concentration can be effected.

(b) The Bi-Zonal Administrations shall be accorded sufficient executive authority and shall be staffed in a manner adequate to enable them to perform their functions. While excessive staffs are undesirable, both Governments agree to provide such Allied personnel as are essential and to ensure that adequate German personnel is assembled to execute the work efficiently.

(c) The chairman of each executive committee shall devote his whole time to his work as such. He shall be vested with executive authority subject to the decisions of his executive committee.

4. (a) In accordance with the principle contained in paragraph 2. (c) of Annexure "A", the distribution of food and raw materials in short supply and the planning of industry shall be carried out centrally by the Bi-Zonal Administrations under the supervision of the appropriate Allied Control staffs.

(b) The planning of industry shall be done in a manner to ensure the best possible use of available resources, including particularly coal. This is necessary firstly to reduce as quickly as possible the expenditure being incurred by both Governments on the economy of the joint Zones and secondly in order to ensure that the export of coal is at the highest level consistent with the maintenance of a proper economy in the Combined Zones.

5. The execution of the plans for the distribution of food and raw materials in short supply and for industry shall be carried out by the administrative machinery of the *Land* Governments. Adequate measures of control shall be taken to ensure that this execution is prompt and effective to avoid the dissipation of resources and the waste of Allied money.

6. Measures shall be taken to develop greater freedom of trade between Germans in the Combined Zones and other countries, particularly by making it possible for the German exporter to negotiate contracts with potential buyers abroad subject only to essential control of foreign exchange. Financial resources available for the purchase of raw materials, etc., shall not, in the first instance, be used with the object of achieving a general improvement in the economy of the Combined Zones, but shall be used boldly to secure those things which are shown to be necessary for the rapid development of exports.

7. Prompt measures shall be taken to bring about financial reform,

if possible on an all-German basis, including the issue of a new currency.

SECTION "B"—LEVEL OF INDUSTRY AND REPARATIONS

8. Immediately after the conclusion of the Moscow Conference, a joint Declaration shall be made by U.S. and U.K. Military Government to the effect that they intend forthwith to establish a fresh level of industry for the Combined Zones and that they do not intend to agree to any lower level in the future. The basis of the new Plan shall be an annual production of 10,000,000 tons of steel and consequential increases in the level of other industries. The details of this Plan will be worked out in Berlin. The percentage increase in the permitted level of all industries need not be uniform. In some cases all restriction of level may be removed on industries at present restricted. In other cases a special quantitative restriction may be imposed. The new Plan shall be announced by the 1st July, 1947, and the final list of plant and equipment to be removed from the Combined Zones shall be issued not later than the 15th August, 1947.

9. Plants rendered surplus by this revised level of industry Plan shall be offered to the Control Council for allocation between the Western and the Eastern Powers. Consideration shall be given to the advisability of reserving from immediate allocation a margin of plants, both to allow for the possible attachment of the Saar to the French economy and also for the possibility of excessive removals from the Eastern Zone.

10. The U.S. and U.K. representatives on the Control Council and its Committees shall insist on more expeditious means of valuation and allocation than are in force at present.

11. When plants have been allocated they shall be delivered both to the Western and to the Eastern Powers.

12. All plants rendered surplus by the new level of industry Plan shall be closed immediately irrespective of whether or when they are to be delivered for reparations. Exceptions shall be made in the case of certain plants on the prohibited list which are by agreement to be retained in operation until imported supplies can be procured.

13. Consideration shall be given to means for ensuring that the U.K. receives certain plants which are most urgently required.

14. Within the level of industry fixed under this new Plan, every endeavour shall be made to build up the economy of the Combined Zones to the highest possible level. In particular steps shall be taken to ensure adequate supplies of food and also to raise the level of coal production in the Ruhr to 300,000 t.p.d. as quickly as possible.

740.00119 Council/4-1447

Paper Prepared by Major General William H. Draper

SECRET

[Moscow,] April 17, 1947.

COMMENTS ON MEMORANDUM ON THE OPERATION OF THE FUSION
AGREEMENT ⁴⁶

- Paragraph 1— General and unnecessary.
- 2— Real question involved is whether political fusion of the zones is now to supplement economic fusion. CFM/47/M/121 defined the powers of the Provisional German Government. The question is whether in effect the bizonal area is to gradually develop a provisional government rather than merely bi-zonal agencies.
- 3— No comment except that these are matters of internal administration within the bizonal area.
- 4— Very general and requires interpretation as to whether it intends further centralization.
- 5— No comment.
- 6— Adds nothing to present understanding unless word "boldly" is intended to direct greater freedom in expenditures. The British have urged large expenditures for many imports only very indirectly connected with developing exports.
- 7— This involves American position against permitting Russians to print currency in Leipzig.
- 8— Recommend against setting specific steel level until joint study made in Berlin.
- 9— Recommend against deciding this issue until reaction from Moscow Conference is clear and general situation can be evaluated better. No plants can be moved in any case until level of industry study completed and as transportation permits. Present allocations will tax transport for many months.
- 10— No comment.
- 11— Same comment as 9.
- 12— This should be discussed in Berlin as much is involved.
- 13— No comment.
- 14— No comment.

⁴⁶ The memorandum under reference is printed *supra*.

General Comment

Only real decisions involved are level based on ten million tons of steel—and East-West allocation. I question whether any memorandum is needed but only an understanding that a new level of industry will be set for the bizonal area, reparations plants listed and joint recommendation then made to the respective Governments by the two Zone Commanders.

W. H. DRAPER JR.

740.00119 Council/4-1447

*Memorandum for the Secretary of State*⁴⁷

SECRET

[Moscow,] April 17, 1947.

1. We have talked with General Robertson who has decided to return to Berlin on Saturday⁴⁸ in order to discuss bi-zonal arrangements with General Clay. Mr. Bevin hopes that he can see you tomorrow to discuss three or four questions of policy before General Robertson goes to Berlin.⁴⁹ He further hopes that you will be able to discuss the bi-zonal arrangements with General Clay and General Robertson in Berlin on your return trip and he will do the same. Under his doctor's orders he cannot fly and so presumably will not reach Berlin until you have left there. Apparently both he and General Robertson attach great importance to a memorandum agreement between you and Mr. Bevin concerning operation of our two zones following the Moscow Conference. General Robertson has been informed of General Clay's view that no formal agreement is needed at this time and that joint recommendations could be made by the two Zone Commanders to their respective governments after the level of industry has been revised for the bi-zonal areas. General Robertson is hoping to reach agreement with General Clay in Berlin on the several questions involved in order to make joint recommendations to you and Mr. Bevin.

2. In the preliminary talk with you tomorrow, Mr. Bevin will probably raise three points: First, division of powers between the central administration and the *Länder*; second, basing the new level of industry on 10,000,000 tons steel production; and, third, allocation

⁴⁷ This memorandum was prepared by Edward S. Mason and Major General Draper. The source text is initialed by the Secretary of State.

⁴⁸ April 19.

⁴⁹ Regarding the Secretary's meeting with Foreign Secretary Bevin on April 18, see telegrams 1469, Delsec 1445 and 1470, Delsec 1446, April 19, from Moscow, pp. 356 and 357.

and delivery of reparations plants to both IARA and USSR. Our comments on each of these follow:

(a) *Division of Powers.* This is covered in paragraph 2 of the attached memorandum prepared by General Robertson⁵⁰ and on which you have already received General Draper's comments.⁵¹ The agreement reached in the CFM was subject to the general U.S. reservation that the new proposed constitution provides a sufficient decentralization and was intended to define broadly the powers of the provisional German government. The British are now asking that we extend this agreement to the bi-zonal operation even though no provisional government but only bi-zonal agencies are involved. The real question is whether the two governments are prepared to authorize political as well as economic fusion of the two zones. If this is authorized, the two Zone Commanders could agree on the necessary steps to that end. We believe that the U.S. Delegation here supports the view that political fusion is necessary and should gradually be achieved in view of the failure to attain the economic unity of all four zones. We believe the British may not be ready to authorize political fusion and we believe the agreement they suggest in paragraph 2 would not be really meaningful without such authorization. Our suggestion is that the question be discussed fully but that no decision be taken until General Clay and General Robertson have made their joint recommendation.

(b) An agreement on steel production should be reached as a result of the study of the level of industry and not before it is undertaken. We do not believe there will be great difficulty in reaching agreement on this question soon after these studies are begun. Again, General Clay and General Robertson may reach a joint agreement shortly.

(c) The question of reparations deliveries to the Soviets is a high political decision. We have suggested to General Robertson the possibility of delaying this decision for 6 or 8 weeks to give time for proper evaluation after the Moscow Conference is over. The point might be made with Mr. Bevin that reparations in the form of current production have been taken illegally from the Soviet zone and that deliveries of capital equipment from the western zones should be offset by these illegal reparations from current production and so deliveries of plant held until the amount of such reparations is known.

3. It is recommended that the talks tomorrow be limited to policy discussion and that decisions await recommendations from General Clay and General Robertson.

4. The program for discussions in Berlin suggested by General Robertson would mean your staying at least a day or two in Berlin. If this is impossible for any reason we should let Mr. Bevin know promptly. We have explained that you had not answered Mr. Bevin's letter⁵² sooner as you were awaiting the result of the discussions with

⁵⁰ The memorandum prepared by General Robertson is printed *ante*, p. 479.

⁵¹ General Draper's comments are set forth in the paper printed *supra*.

⁵² *Ante*, p. 475.

General Robertson, but you might wish to make this point personally also with Mr. Bevin.

862.6362/4-2247

*Memorandum for the Secretary of State*⁵³

[Moscow,] April 17, 1947.

Attached for your signature and for dispatch on Saturday, April 19 are two letters addressed to the French Foreign Minister on the subject of coal exports from the three western zones of Germany. Also attached is the draft of M. Bidault's reply to the first of these letters.⁵⁴

The first letter contains a copy of the sliding scale of exports of coal in relation to production. The letter is identical with that being sent by Mr. Bevin, except for the inclusion of the first sentence of the second paragraph. Objection was made on the part of the British and French to the use of similar rather than identical letters, because of the possible later difficulty of deciding which letter constituted the agreement in case of need for interpretation.

M. Bidault's reply to the first letter accepts the sliding scale proposal and asks in addition that when a decision has been taken on the economic incorporation of the Saar with France, the three governments make joint notification of that decision to the European Coal Organization, inviting the latter to take account of the new situation. This formula represents a watered-down version of the original French request which invited United States support in the European Coal Organization for a maintenance of the present method of allocation after the transfer of the Saar. The French have been verbally advised that the U.S. position on the European Coal Organization is reserved.

M. Bidault's letter does not commit the United States to tripartite action on the Saar or to recognize any unilateral action on the part of France. The decision referred to is understood to be a quadripartite decision, which cannot be taken without the agreement of the Soviet Union. It does not commit us, moreover, to any particular form of transfer, such as that proposed informally earlier by the French providing for five separate stages, each of which was linked to an increase of production in the Ruhr. The manner and timing of the exclusion of Saar coal from the resources of Germany, which may reduce Ger-

⁵³ This memorandum was from Edward S. Mason and Major General Draper. The source text was sent to the Department as enclosure 1 to despatch 110, April 22, 1947, from the United States Delegation at the Council of Foreign Ministers in Moscow, not printed.

⁵⁴ The letters under reference are printed *infra*.

man exports some \$50 million annually, is still open for discussion.

It has been decided among the British, French and ourselves, subject to your approval to release the news of this agreement and the table of exports to the press as quickly as possible, in view of the fact that newspaper stories are already circulating on the subject. If you agree, a simultaneous announcement will take place from Washington, London, Paris and Berlin on Monday night in time for Tuesday newspapers. It will be mentioned that the agreement has been confirmed by the three Foreign Ministers.⁵⁵

The French have urged, and we have tentatively agreed again subject to your approval and the consent of Ambassador Smith, that the Soviet Foreign Office should be informed of the agreement prior to the public announcement. We are giving a copy of this memorandum with attachments to Ambassador Smith. Will you, if you agree, request him to advise the Soviet Government of the agreement in concert with his British and French colleagues?

862.6362/4-2247

*The Secretary of State to the French Foreign Minister (Bidault)*⁵⁶

[Moscow,] April 19th, 1947.

DEAR MONSIEUR BIDAULT: In agreement with the United Kingdom Secretary of State for Foreign Affairs I send you herewith the proposals for a sliding scale for coal exports from the three Western Zones as at present constituted which have been prepared as a result of conversations which have taken place during the past few days between your representatives and those of Mr. Bevin and myself.

In my conversation with the President of the Republic, M. Auriol,⁵⁷ I gave him assurance of the desire of my Government to make every

⁵⁵ The text of the tripartite announcement regarding the distribution of coal and coke from western Germany was released to the press on April 21, 1947; for the text, see *Germany 1947-1949*, p. 481. The text of this press statement was transmitted to the Department in telegram 1444, Delsec 1439, April 18, 1947, from Moscow, not printed, which added the following information:

"Paragraph on Saar incorporated in press release at French insistence although it does not bind the British and American Govts to anything beyond procedural notification of ECO when attachment of Saar to France is decided. It involves no decision on question of detachment of Saar, beyond positions taken in CFM, nor any position on change in ECO percentages after Saar is attached to France.

"It is generally agreed that fact of agreement being signed at Moscow should be minimized. Soviet Foreign Office is to be informed of agreement Monday [April 21] prior to public announcement." (740.00119 Council/4-1847)

⁵⁶ The source text, an unsigned copy, was transmitted to the Department as enclosure 2 to despatch 110, April 22, 1947, from Moscow, not printed. A similar letter was addressed to Foreign Minister Bidault by Foreign Secretary Bevin.

⁵⁷ For the minutes of Secretary Marshall's conversation with President Auriol on March 6, 1947, see p. 190.

effort to assist France in meeting her requirements for coal. We have now made the fullest efforts possible to meet the requirements for coal of France and the countries represented in the European Coal Organization, bearing in mind the necessity for rehabilitating the peaceful industries of Germany with the object of bringing the German economy into balance as quickly as possible in accordance with the American and British programs.

I hope to learn that you accept the proposals made at the production levels shown in the sliding scale. It is the intention that the percentages of the sliding scale shall apply for the second half of 1947. At the end of the year the position can be examined again in the light of the conditions then prevailing.

Faithfully yours,

[GEORGE C. MARSHALL]

[Enclosure]

PROJECTED SCALE OF EXPORT AND INTERNAL ALLOCATION OF COAL FOR
THE THREE WESTERN ZONES OF GERMANY, IN RELATION TO FUTURE
LEVEL OF COAL PRODUCTION

(Thousands of metric tons)			
Daily Output Ruhr-Aachen plus Saar.	Percent Allocated to Export.	Estimated Monthly Ex- port Tonnage.	Estimated Monthly Internal Tonnage.
(net merchantable coal, excluding raw brown coal, in terms of hard coal equivalent).			
280	21.0	1187	4465
290	21.5	1262	4608
300	21.5	1309	4778
310	22.0	1387	4917
320	22.5	1467	5055
330	22.5	1516	5223
340	23.0	1602	5365
350	23.5	1691	5505
360	24.0	1782	5642
370	25.0	1913	5739

- Notes:*
1. Monthly figures are for calendar months of 25 working days.
 2. Exports represent total exports (including exports to Austria, to countries belonging to the European Coal Organization and bunker coal).
 3. It is anticipated that allocations will be made quarterly with later adjustments as required. Assistance may be re-

quired from the importing countries to move the contemplated tonnages of export coal.

862.6362/4-2247

*The French Foreign Minister (Bidault) to the Secretary of State*⁵⁸

[Moscow,] April 19th, 1947.

MR. SECRETARY: I have the honor to acknowledge your letter of April 19, 1947⁵⁹ concerning the export of coal from the three Western Zones of Germany. I am happy to state that you have, to a large extent, satisfied the requests which the French Government have been putting forward for a considerable time, by fixing the volume of coal exports, according to a formula of general application, as a proportion of German production. Although still far from what we had hoped for, the figures which you give in your letter show a desire to meet us on your part and that of the United Kingdom which we appreciate, knowing the responsibilities which you have mentioned. I thank you for this communication, and take note of it.

However, in view of the difference which still exists between what we can hope for from your proposals, and the minimum vital needs of France, which I have set forth in the name of the French Government, I ask you in addition to be prepared to give us your help over the question of the Saar and its effect on our coal situation. I would ask you to be good enough, when the economic incorporation of the Saar with France has been decided upon, to agree to make a joint notification to the European Coal Organization of that decision. In making this notification, I would ask you to make clear that France will hereafter present to the European Coal Organization both the resources and the needs of France and the Saar as a whole, and invite the European Coal Organization to take account of this new situation.

I would greatly appreciate your agreement to the arrangements contained in the letters which have passed between us and which I accept.⁶⁰

Please accept [etc.]

GEORGES BIDAULT

⁵⁸ The source text was transmitted to the Department as enclosure 2b to despatch 110, April 22, 1947, from Moscow, not printed. The French text of this letter was sent as enclosure 4 to the same despatch. Foreign Minister Bidault addressed a similar letter to Foreign Secretary Bevin.

⁵⁹ *Supra.*

⁶⁰ In a letter to Foreign Minister Bidault, dated April 19, 1947, the text of which was transmitted to the Department as enclosure 2c to despatch 110, April 22, 1947, from Moscow, Secretary Marshall stated the following:

"In answer to your letter of April 19th in reply to my letter of the same date, about the export of coal from the three Western Zones of Germany, I am happy to state that the arrangements contained in these letters have my approval."

740.00119 Council/4-2447 : Telegram

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

SECRET

Moscow, April 24, 1947—5 p.m.

PRIORITY

1541. Delsec 1467. Following is text (subject to minor changes in language reconciliation) informal understanding on method charging French reparation accounts for Saar agreed among US, French, British delegations:

US agreement limited to principle, on ground figures appropriate for negotiation Berlin.

French desire question of reparation charge for Saar be raised in ACA as further test Soviet intentions. Question tripartite action in case Russian rejection left entirely open, though British sought commitment in favor of such action. For your information British motivation believed to be primarily heavy overcharge category B account in IARA due to receipt ships and desire to have large amount charged to French.

Instructions and US preferences among alternatives in understanding to OMGUS on implementation in ACA will be transmitted via War shortly.

"1. The charge will be calculated in respect of (a) capital equipment in the Saar which would have been removed as reparation if the Saar had remained an integral part of the economy of Germany; (b) additional capital equipment retained in Germany in order to maintain the economy of Germany at the determined level despite the loss of the Saar.

"2. The determination of 1 (a) will be made either as a lump sum representing the reparation value of the plants if available and claimed by France which may be spread over an appropriate period; or a percentage of the value of each branch of capital equipment allocated to IARA, the percentage to be fixed in accordance with the ratio of industrial plant in the Saar to industrial plant in the remainder of the western zones.

"3. The determination of 1 (b) will be made by calculating the capital value, as reparation, of plant retained in the western zones to compensate for the loss of the net surplus, if any, of the balance of commodity and other appropriate items in the balance of payments of the Saar expressed in 1938 values on the assumption of postwar German economy.

"If 1 (a) is determined as a percentage, the amount under 1 (b) shall be converted into a percentage.

"4. As an interim measure, pending final calculation, of the figures under 2 and 3 above by the Control Council, the debit on French reparation account will be assumed to be (75 million reichsmarks, British)

(40 million reichsmarks to be spread over—months or—percent French).

"5. In the allocation of capital equipment between east and west in Berlin, account should be taken of the receipt by IARA of the value of the Saar as reparation, as calculated in accordance with paragraphs 1-4 above. The shares between east and west should be adjusted accordingly, in the course of successive allocations, as may be agreed by the Control Council.

"6. The US, UK and French members of the Control Council will be instructed forthwith to submit proposals for the charge to IARA (France) of the reparation value of the Saar.

"7. The assembly of IARA should determine the method by which and rate at which the charge should be brought to France's category B account in IARA.

"8. The delegates to IARA of the US, UK and France will be instructed in due course to submit to the IARA assembly proposals for the charge of the reparation value of the Saar, calculated in accordance with the above principles, to France's category B reparation account."

Sent Department as 1541, repeated Berlin for OMGUS as 328, Brussels for Dorr as 22.

SMITH

740.00119 Council/4-2447

*The British Secretary of State for Foreign Affairs (Bevin) to the Secretary of State*⁶¹

Moscow, 24th April, 1947.

DEAR MR. MARSHALL: You will remember that we had a discussion on April 18th with General Robertson and General Draper about future arrangements in the bi-zonal area in Germany.⁶² We agreed that as a result of our talk that General Robertson would go to Berlin to continue the discussion of the whole matter with General Clay, in order that they might make joint recommendations including specific language on one point.

I do not know what information you may have received from General Clay about the talks, but I have heard from my people in Berlin that certain difficulties have arisen and that the discussions are not going perhaps as smoothly as was intended.

⁶¹ A copy of the following letter, dated April 24, 1947, from Secretary Marshall's Special Assistant Marshall S. Carter to Pierson Dixon of the United Kingdom Delegation, is attached to the source text:

"Please inform Mr. Bevin that his letter to Secretary Marshall on the future arrangements for the bizonal area in Germany was received at 7:00 p.m. this date and will be brought to the Secretary's attention while he is enroute to Berlin."

⁶² See telegrams 1469, Delsec 1445 and 1470, Delsec 1446, April 19, from Moscow, pp. 356 and 357.

I attach, as you know, the greatest importance to making a real success of our fusion arrangements as soon as we possibly can, and I am sure that you share this view. As Foreign Secretary, I am now responsible for all aspects of British policy in Germany, the former Control Office for Germany having now disappeared. I trust that you and I can reach a satisfactory arrangement on the basis of the four points set out in the agreed memorandum of our conversation on April 18th.

In the circumstances I very much hope that on your way through Berlin you will be able to spare the time to go into the whole position. General Robertson will, of course, be at your entire disposal in case he can be of any assistance to you.⁶³

I feel that with so much at stake, it is most important that the two D.M.Gs. should reach an agreement very speedily with our backing on the lines which have already been discussed between you and me.

Yours sincerely,

ERNEST BEVIN

3. Requests by Allied Governments for Participation in the German Peace Settlement

740.00119 Council/2-147

The Acting Secretary of State to the Iranian Ambassador (Ala) ⁶⁴

The Acting Secretary of State presents his compliments to His Excellency the Ambassador of Iran and has the honor to refer to his letter No. 2127 of February 1, 1947 ⁶⁵ transmitting the request of the Iranian Government to participate in preliminary discussions of the peace treaty with Germany and to ascertain the procedure by which the Iranian Government and its nationals might obtain redress for damages attributable to and claims against Germany.

The Council of Foreign Ministers at its meeting in New York during December, 1946 found it necessary to limit participation in the preliminary discussions of the German peace treaty to neighboring Allied states and to those Allied states which directly participated with armed forces in the common struggle against Germany. Subsequently, the Foreign Ministers' Deputies during their recent meeting

⁶³ A marginal handwritten notation opposite this paragraph in the source text reads as follows: "Secy did not see him." Regarding Secretary Marshall's meeting with General Clay in Berlin on April 25, see telegram 1006, April 27, 1947, from Berlin, and footnote 15, p. 909.

⁶⁴ The text of this note was transmitted to Tehran in telegram 126, March 17, 1947, which added that a similar reply was being sent to Iran by the United Kingdom and that France was considering the Iranian request and the United States reply (740.0011 EW (Peace)/2-347).

⁶⁵ Not printed, but see telegram 87, February 3, from Tehran, p. 20.

in London considered the requests of certain states, including Iran, which did not come within the categories indicated above but which had expressed their desire to participate, and agreed to refer those requests to the Council of Foreign Ministers at its meeting in Moscow.

This Government has consistently favored as wide a participation as possible by interested powers in discussions concerning the peace treaty with Germany. The Department of State is particularly conscious of the assurances contained in the note delivered by the United States Minister to the Iranian Minister of Foreign Affairs on September 3, 1943⁶⁶ and in the letter of the Secretary of State to His Excellency on July 30, 1946,⁶⁷ with regard to the attitude of the United States in respect to Iran's participation in the peace settlements with Germany and Japan. While the Council of Foreign Ministers and their Deputies have engaged in preliminary conversations pertaining to the peace settlement, the question of holding a peace conference has not yet been decided. The Government of the United States agrees that Iran should be allowed to participate in the making of the treaties for Germany and Japan. The United States will make its position in this respect known to the other powers represented on the Council of Foreign Ministers in Moscow, but the final decision will depend upon the agreement not of the United States alone, but of all the powers represented on the Council.

With regard to the procedure by which the Iranian Government and its nationals might obtain redress for damages attributable to and claims against Germany, the attention of the Iranian Government is invited to Section IV of the Protocol signed by the heads of the Governments of the United States, United Kingdom, and the Union of Soviet Socialist Republics on August 1, 1945, a copy of which is attached hereto as Annex A.⁶⁸ Accordingly, the Government of the United States, being one of the three powers with zones of occupation in western Germany, is prepared to consider the question of claims of the Iranian Government and its nationals against Germany. In order to give proper consideration to this question and to arrive at an equitable settlement, it is necessary that the Iranian Government submit a statement of claims and losses of the Government or its nationals against Germany and a statement of German external assets subject to its jurisdiction. There is attached hereto, as Annex B,⁶⁹ a statement which was employed in determining the reparation share of the United

⁶⁶ For the text of the note under reference here, see telegram 438, August 26, 1943, to Tehran, *Foreign Relations*, 1943, vol. iv, p. 435.

⁶⁷ Not printed.

⁶⁸ Annex A is not printed here. For the text of the Report on the Tripartite Conference of Berlin, under reference here, see *Foreign Relations*, The Conference of Berlin (The Potsdam Conference), 1945, vol. II, pp. 1499 ff.

⁶⁹ Not printed.

Nations entitled to receive reparation from the western zones of Germany and from German external assets in those countries which remained neutral during the war. It is requested that the Iranian Government's statement of damages and claims be made on the basis of Annex B. There is also attached hereto, as Annex C,^{69a} a statement of information requested from the same group of countries concerning German external assets subject to their jurisdiction immediately before the date of the entry of the respective countries into the war or their occupation by the enemy. It is requested that the Iranian Government submit, in approximately the form suggested in Annex C, full information concerning German external assets subject to its jurisdiction. Upon receipt of the requested information, the Government of the United States, in conjunction with the Governments of France and the United Kingdom, will give immediate consideration to the request of the Iranian Government for settlement of its claims against Germany.

WASHINGTON, March 17, 1947.

740.0011 Peace EW/3-1747 : Telegram

*The Ambassador in Mexico (Thurston) to the Secretary of State*⁷⁰

RESTRICTED

MEXICO CITY, March 17, 1947—7 p.m.

302. 1. On March 10 Foreign Minister called me his office for purpose delivering another memo regarding Mexican contention it should participate conversations regarding treaties of peace with Germany and Austria.⁷¹ Despatch 2987, March 10⁷² reporting this presumably has reached Department.

2. On March 15 Foreign Office issued press release taking cognizance press reports describing developments Moscow which implied

^{69a} Not printed.

⁷⁰ The text of this telegram was retransmitted in Department telegram 594, Mosko 15, March 20, to Moscow, not printed.

⁷¹ The text of the Mexican memorandum, dated March 8, 1947, was transmitted to the Department as an enclosure to the despatch under reference here, neither printed. Foreign Minister Torres Bodet informed Ambassador Thurston that identical memoranda were being delivered to the British, French, and Soviet Ambassadors. (740.0011 EW (Peace)/3-1047)

The position of the Mexican Government with regard to Mexico's participation in a German peace settlement was the subject of yet another memorandum, dated March 25, 1947, delivered by the Mexican Ambassador in the Soviet Union to Ambassador Smith in Moscow. The text of the March 25 memorandum was transmitted to the Department as an enclosure to despatch 95, March 31, from the Delegation of the United States to the Council of Foreign Ministers at Moscow, neither printed (740.00119 Council/3-3147). The Mexican Ambassador was assured by Ambassador Smith that the problem of the participation of Mexico and other Allied States in the German peace-making would be given consideration by the Council of Foreign Ministers.

⁷² Not printed.

Albania being set off against Mexico with respect participation German-Austrian peace arrangements. This reported airgram 285,^{72a} which will leave this evening by air courier.

3. Today Senor Torres Bodet called me Foreign Office and described at considerable length strong conviction entertained by Mexican Government it should take the place in German-Austrian arrangements it has solicited, and that in event failure gain its point it must make clear-cut statement informing Mexican public of its efforts and reasons for failure, with specific mention of country or countries responsible therefor. He then requested I endeavor obtain Department's consent to publication by Mexican Government at opportune time that portion Embassy's third person note dated March 7 based on Department's instruction 867, February 27,⁷³ which reads as follows:

"The Government of the US agrees that Mexico should be allowed to participate in the making of the treaties for Germany and Austria; and will make its position in this respect known to the other powers represented on the Council of Foreign Ministers".⁷⁴

4. Minister expressed concern lest Mexico be confronted by *fait accompli* of exclusion, and that this development might be presented to world as common decision of four states now conferring at Moscow. He made it clear that having obtained support of Mexico, [apparent omission] view of US and being about obtain similar support from France, should this development occur, Mexico will clearly point out state that opposed its participation. With respect this point, he inquired whether we would be willing endeavor induce British Foreign Office reply Mexican memoranda this subject. He is disposed believe their failure reply due less reluctance go counter Soviet viewpoint than inertia produced by other more pressing problems.⁷⁵

5. Torres Bodet stated feels lack direct information regarding developments Moscow may work against Mexico's interests so far as its

^{72a} Not printed.

⁷³ The substance of the instruction under reference here was included in the note of March 6, 1947, from the Acting Secretary of State to the Mexican Ambassador, p. 195.

⁷⁴ Telegram 343, April 2, to Mexico City, not printed, stated that the Department had no objection to the publication by the Mexican Government of a portion of the instruction under reference here provided reference to the treaty with Austria was deleted (740.0011 EW Peace/3-1747).

⁷⁵ In an *aide-mémoire* of March 19, 1947, to the Department of State, not printed, the British Embassy stated that it appeared that the Mexican Government was demanding a place among the eighteen or nineteen Allied states which would be consulted by the Council of Foreign Ministers in the preparation of a German peace treaty. The British Embassy explained that it had been the position of the United Kingdom Government that a hearing should be given to "minor Allies such as Mexico 'at an appropriate stage'" and that to go beyond this in regard to Mexico would lead to similar concessions elsewhere and involve further squabbles over procedure (740.0011 EW Peace/3-1947). In delivering this *aide-mémoire* to the Department, a British Embassy official stated that his Government was raising the question with the United States Delegation in Moscow.

claim is concerned. He does not wish impair Mexican position by premature statement that might offend Russians, for example, or give them excuse say Mexico had acted precipitately, nor does he wish withhold publication statement numbered paragraph 3 until an adverse decision has been announced with appearance of unanimity. For this reason he stated he would appreciate any information we might feel disposed to furnish that would indicate when the decision regarding Mexico has been reached.

THURSTON

740.00119 Council/4-147

*The Chinese Ambassador in the Soviet Union (Foo) to the Secretary of State*⁷⁶

Moscow, March 24th, 1947.

YOUR EXCELLENCY: Under instructions of the Ministry of Foreign Affairs I have the honour to communicate to Your Excellency the following stand of the Chinese Government concerning the preparation of the peace settlements for Germany and Austria:

The Chinese Government is of the view that according to the Potsdam Agreement the Powers signatory to the terms of German surrender are only entrusted to draw up a peace treaty for Germany and the convocation of the Peace Conference must be a matter to be agreed by all Members of the Council of the Foreign Ministers.

The Chinese Government, therefore, finds it necessary to call the attention of the four Ministers now meeting in Moscow that any definite agreement on the subject of the Peace Conference must have concurrence of the Chinese Minister of Foreign Affairs as it was done in the Moscow Conference of December 1945 in regard to the procedure for peace settlements for Italy, Roumania, Hungary, Bulgaria and Finland. Any decision otherwise arrived at would have no authority under the terms of reference of the Council of Foreign Ministers.

I avail myself [etc.]

FOO PING-SHEUNG

⁷⁶ The source text was transmitted to the Department as an enclosure to despatch 96, April 1, 1947, from the United States Delegation to the Council of Foreign Ministers at Moscow, not printed. That same despatch also transmitted a copy of Secretary Marshall's reply of March 27 which read in part as follows:

"In reply, I am happy to inform you that in the meeting of the Council of Foreign Ministers at Moscow on March 25, 1947 the United States Government took the position that the Council, with China as a member, should issue the invitations to other states to participate in the peace conference with respect to Germany. Since the treaty with Austria is not a "peace treaty", no consideration has been given to the question of a conference in this regard. The proposal of the United States Government is, of course, subject to agreement among the four Ministers participating in the Conference of Foreign Ministers."

For the report on the Council meeting on March 25, see telegram 1013, Delsec 1345, March 25, from Moscow, p. 287.

740.0011 EW Peace/3-2647 : Telegram

*The Ambassador in Italy (Dunn) to the Secretary of State at Moscow*⁷⁷

SECRET

ROME, March 26, 1947—6 p.m.

26. For Secretary Marshall. Count Sforza disturbed by report received from Italian Ambassador Brosio to effect that Italy will not be afforded real opportunity to present its case at German peace treaty discussions and that notwithstanding vital importance Italo-German economic and political relations Italy will be relegated to same category as Bulgaria, Rumania, Yugoslavia and other Balkan countries whose relationships with Germany he described as being of secondary importance.⁷⁸ See also Emtel 27, March 26 repeated Department as 640.⁷⁹ Stressing that this was not a matter of prestige but of hard realism he has asked that his views be brought personally to your attention in the hope that you would insist that Italy be given opportunity directly to participate in negotiations.

Sent Moscow 26, repeated Department 639.

DUNN

740.00119 Council/3-2747 : Telegram

The Acting Secretary of State to the Secretary of State at Moscow

SECRET

WASHINGTON, March 27, 1947—7 p.m.

URGENT

693. Secdel 1386. Personal from Acheson. This Govt has assured Mexican Govt of its agreement that Mexico should be allowed participate in making treaties for Germany and Austria, and that this Govt will make its position in this respect known to other powers represented on Council Foreign Ministers. Your Kosmos 10, Mar. 24.⁷⁹ Actual language referred to Austrian treaty, which was not qualified as "peace" treaty.

Mexican insistence has been entirely on participation in making treaty with Germany.

Unless recent events may have diminished possibilities completing treaty with Austria at Moscow we would be prepared to approach

⁷⁷ Repeated to the Department of State as telegram 639.

⁷⁸ In a communication to the members of the Council of Foreign Ministers meeting in Moscow, a copy of which was transmitted to the Department of State by the Italian Embassy on March 15, 1947, the Italian Foreign Minister had requested Italian participation not only in the final German peace conference but also in earlier work in the preparation of a German peace settlement (740.0011 EW Peace/3-1547).

⁷⁹ Not printed.

Mexican Govt along following lines but hesitate to do so if chances for concluding treaty are not good.

It would be explained to Mexican Govt that when our assurances were given it was anticipated there might be a conference dealing with Austria but that since then situation had changed and it now looked as if Austrian treaty might be completed, signed in Moscow and circulated for signature or adherence by other countries. We could then say that if any other procedure were adopted it would cause delay in termination of occupation of Austria and delay in withdrawal foreign troops along lines of communication in Rumania and Hungary. We would further explain great importance Austrian Govt attaches to early conclusion treaty which is not "a peace treaty", and that there has been no demand for a conference on this subject except from one other state. Mexican Govt's attention would be called to your continued insistence that conference for German treaty include all states "at war" and to your specific references to Mexico in this connection.

If you approve approach can be made to Mexico as soon as warranted by prospects for conclusion of Austrian treaty.⁸⁰

ACHESON

740.00119 Council/4-247 : Telegram

The Secretary of State to the Ambassador in Italy (Dunn)

SECRET

Moscow, April 2, 1947—1 p. m.

19. Delsec 1381. For the Ambassador from the Secretary. Tentative agreement has been reached which will permit Italy as an ex-enemy state which subsequently participated with its own forces in the war against Germany to participate (reurtel 26, March 26⁸¹) in some form in the preparation of the German peace treaty. Under this arrangement Italy will be afforded at an appropriate stage in the preparation of the peace treaty the opportunity to present its views on the German problems orally or in writing to the Council of Foreign Ministers or to the Deputies.

In addition, it is our view Italy would be included under the formula proposed by the US that all states at war with Germany should be associated with the proposed "information and consultation conference". That conference (or committee) will afford a forum where under member states will be given an opportunity to present their views and to consult on the progress of work in preparing the peace settlement. The "conference" would be set up immediately.

⁸⁰ Telegram 1110, Delsec 1373, March 31, from Moscow, not printed, approved an immediate approach to the Mexican Government along the lines proposed in this telegram (740.00119 Council/3-3147).

⁸¹ *Ante*, p. 496.

I have also urged that all states at war with Germany should be accorded full and equal rights to participate as members in the peace conference itself. As you well know, however, agreement on this in the CFM will be difficult to obtain and may not be reached at this meeting.

Please assure Count Sforza of my sympathetic interest in his government's desire to participate appropriately in the preparation of the German peace settlement.⁸³

Sent Rome 19; repeated Department 1146.

[MARSHALL]

740.0011 EW Peace/4-947

The United States Embassy in Cuba to the Cuban Ministry of State ⁸⁴

SECRET

No. 199

The Embassy of the United States of America presents its compliments to the Ministry of State of the Republic of Cuba and has the honor to inform the Ministry in the following sense:

The Delegation of the United States of America to the Conference of Foreign Ministers at Moscow has received, through the Secretary General of the Conference, a telegram from His Excellency Dr. Rafael Pérez y González Muñoz, Minister of State of the Republic of Cuba, with reference to the desire of the Government of Cuba to share in the formulation of a peace settlement with Germany.⁸⁵

⁸³ Telegram 41, April 11, from Rome to Moscow, repeated to the Department of State as 789, not printed, reported that Foreign Minister Sforza was most grateful for the information contained in this telegram (740.0011 EW (Peace)/4-1147).

⁸⁴ The source text was transmitted to the Department of State as an enclosure to despatch 3041, April 9, 1947, from Habana, not printed.

This note was delivered to the Cuban Ministry of State in pursuance of instructions contained in telegram 1130, Delsec 1378, April 1, 1947, sent to Habana as telegram 1, not printed (740.00119 Council/4-147). According to despatch 3041, and telegram 182, April 9, from Habana, not printed, the Cuban Minister of State expressed verbally his appreciation for the friendly and understanding attitude of the Secretary of State. The Cuban Minister of State referred to the reported possibility of Mexico's being invited to participate in the drafting of a German peace treaty, and he expressed the hope that Cuba would not be treated less favorably (740.00119 Council/4-947). Telegram 174, April 16, 1947, to Habana, not printed, instructed that the Cuban Government be informed that it would be accorded as favorable treatment as Mexico in the position taken by the United States with respect to participation in the German peace settlement (740.00119 Council/4-947).

⁸⁵ The communication under reference is not printed. The Cuban Government's request for participation in the German peace settlement was subsequently set forth in a letter of April 4, 1947, from the Cuban Legation in Moscow to the Council of Foreign Ministers, circulated to the Council as document CFM (47) (M) 107, April 7, 1947, not printed.

The Delegate of the United States, during the course of a meeting of the Council of Foreign Ministers on March 26,⁸⁶ stated the position of the United States Government as continuously supporting the participation, in the settlement of peace with Germany, of those states which helped in bringing about victory, and remarked that the United States Delegation desired recognition for their loyal cooperation in the war be given to its friends of the Western Hemisphere. The position of the Government of the United States is, of course, dependent on agreement among the four Ministers in the Council of Foreign Ministers.

The Embassy avails itself of this opportunity to renew to the Ministry of State the assurances of its highest consideration.

HABANA, April 3, 1947.

CFM Files : Lot M-88 : Box 96 : Germany-Treaty VII

The Australian Chargé in the Soviet Union (Deschamps) to the Secretary of State

Moscow, 21st April 1947.

DEAR MR. MARSHALL: In your letter of 3rd April⁸⁷ you were kind enough to ask me to assure my Government of your continued interest in its views on the subject of the procedure to be followed in the preparation of the German settlement. I have now been asked to convey to you a personal message from the Minister for External Affairs, Dr. Evatt, the text of which is the following :

"While I appreciate your efforts for wider participation by middle and smaller nations in German peace negotiations, there are certain fundamental aspects of settlement to which I feel it my duty to call your attention.

"It would appear from proposals which both United States and United Kingdom Delegations have put forward for procedure that there has been a misinterpretation of the special responsibilities of the Four Powers in regard to the German settlement. Australia always loyally accepted the leadership of the great powers in time of war and I have often stated that there were important respects in which that leadership would also be loyally accepted in post-war years. Nevertheless, it has never been my understanding that the Four Powers would carry their insistence on leadership so far as to take upon themselves the responsibility for making the peace. This was never intended in the Potsdam Agreement. May I respectfully remind you of the statement made by Mr. Byrnes on this point in a broadcast on 5th October 1946 :

⁸⁶ For the report on this Council meeting, see telegram 1030, Delsec 1353, March 26, from Moscow, p. 292.

⁸⁷ Not printed.

'At Berlin it certainly was never intended that the three powers present or the five powers constituting the Council should take unto themselves the making of a final peace. The Berlin Declaration setting up the Council begins with the statement: "The conference reached the following agreement for the establishment of a Council of Foreign Ministers to do necessary preparatory work for the peace settlements." The Council was not to make the peace settlement but to do necessary preparatory work for peace settlement.' It is clear, therefore, that any special responsibilities which the Four Powers may have in regard to the peace settlement refer only to preparation. As you know, we have never accepted as either just or democratic the subsequent procedure laid down for the peace treaties with Italy and the satellite enemies at the conference of Foreign Ministers at Moscow in December 1945. This was based on a misinterpretation of Potsdam and its failure was fully proved by the experience of the Paris Conference when it was found that a prior agreement by members of the Council of Foreign Ministers not to accept any amendment to a proposal on which they had previously reached agreement made it impossible for many constructive proposals and amendments to be accepted. It was further proved by the manner in which many recommendations of the Paris Conference were altered or rejected by the Council of Foreign Ministers when drawing up the final texts of the treaties.

"The need for improvement on the methods adopted at Paris has been admitted by all Four Powers, notably at the Deputies' meetings in London last January and February. But improvements now under consideration in Moscow appear to me to perpetuate the misinterpretation of the true functions of the Council of Foreign Ministers as a preparatory body only. At its best, the procedure under consideration treats the middle and smaller active belligerents as mere subordinates or consultants, a very different role to that which they were repeatedly led to expect when their assistance in war was required. Moreover, the peace conference with Germany is only to be permitted to make recommendations which the Council of Foreign Ministers is free to amend or reject at will.

"In view of this, I should like to make the following positive suggestions:

"I. The United Kingdom and the United States should endeavour to depart from the pattern which Council of Foreign Ministers' meetings have taken, namely, preliminary assertions of principle that there will be firmness about the rights of active belligerents to participation in the peace-making, but ultimate compromises due to the fact that Russia, largely supported by France, does everything possible to prevent such participation. I am convinced that if Russia was firmly told the procedure which had to be adopted, she would ultimately yield. The pattern tends to perpetuate itself because the Russians rely upon representatives of other countries yielding to pressure of fatigue and particularly to the fear of a so-called unsuccessful conference. A compromise reached under such circumstances involves sacrifices of the rights of belligerents.

"II. The fundamental necessity is an attempt to call an unfettered conference of active belligerents and allow that body to assume final responsibility for the peace settlement. If that were agreed on, the conference could itself give authority to an executive consisting of the major powers and other selected countries to take charge of preparatory and drafting work. A suitable occasion for calling the first meeting of such a conference might be the next meeting of the General Assembly. Having appointed an executive and the necessary committees, which could remain in continuous session, the conference could adjourn and then meet again as required.

"III. The Paris Conference was largely prejudiced by prior recommendations of the Council of Foreign Ministers in regard to voting procedure. This, in turn, led to a long struggle at Paris over voting. Voting procedure could be excluded altogether from consideration at a peace conference because *ex-hypothesi* the peace settlement when made requires unanimity. Unanimity, however, is not to be reached at Council of Foreign Ministers' level prior to the conference but at the conference itself. In my view, there is a danger that the latest United States proposals on voting will merely reproduce the friction and misunderstanding of the Paris Conference.

"IV. It is absolutely essential that there should be no agreement among the Council of Foreign Ministers that they will adhere to the terms of any draft unless all agree to an alteration. The fact is that no treaty in relation to Germany will be enduring if it is brought about by exclusive and undemocratic methods, such as were applied at the Paris Conference, and which are in danger of being perpetuated in the latest proposals on procedure".

Yours sincerely,

NOËL DESCHAMPS

CFM Files : Lot M-88 : Box 96 : Germany-Treaty VII

*The Secretary of State to the Australian Minister for
External Affairs (Evatt)*

The Secretary of State acknowledges the personal message of Dr. Evatt⁸⁸ and is giving it careful consideration. The Secretary regrets that Dr. Evatt believes that there is danger that the latest United States proposals on voting will merely reproduce the friction and misunderstanding of the Paris Conference. The Secretary has grave doubt that it will be possible, as Dr. Evatt suggests, to induce the Soviet Union to depart completely from the pattern of having the preliminary text of the treaty prepared by the Council of Foreign Ministers and for that reason has endeavored to secure for the other Allied

⁸⁸ *Supra.*

States a more active participation in the preparation of the preliminary text. As Dr. Evatt is undoubtedly aware, the United States has given aggressive support to the desire of Australia and other Allied States to participate in the actual drafting of the peace settlement and has joined with Mr. Bevin in this effort.

Moscow, April 24, 1947.

4. Draft Treaty for the Re-Establishment of an Independent and Democratic Austria

740.00119 Council/2-2047

*The Acting Secretary of State to Archduke Otto
of Hapsburg-Lorraine*

[WASHINGTON,] March 13, 1947.

MY DEAR ARCHDUKE OTTO: I have your letters of February 20, 1947⁸⁹ addressed to the Secretary of State and to me regarding the clause reaffirming the Austrian law of April 3, 1919 concerning the House of Hapsburg-Lorraine which was accepted by the Deputies of the Council of Foreign Ministers for inclusion in the Austrian Treaty. This clause, along with others discussed by the Deputies, will be referred to the Council of Foreign Ministers at its forthcoming meeting in Moscow.

The final treaty, as you know, will represent an agreement obtained by compromise on the part of all occupying powers and the Austrian Government. The Government of the United States accepted the clause reaffirming the Austrian law of 1919 in order to prevent antagonisms and the interference in Austrian internal affairs which might arise from any attempt to restore the monarchy or fears of such an attempt. Such fears, it was felt, would be occasioned by failure to recognize the Austrian constitutional provisions which make a restoration at present impossible. Since this action was based on existing Austrian statutes, I cannot agree with your statement that the clause provisionally agreed upon is a violation of any international agreement or that it constitutes an unwarranted interference in Austrian domestic affairs.⁹⁰

I readily acknowledge the anti-Nazi record of you and your brothers and your contributions to the Allied victory. I am confident, however,

⁸⁹ *Ante*, p. 175.

⁹⁰ A brief letter from Matthew J. Connelly, Secretary to President Truman, to Archduke Otto, dated March 27, 1947, and incorporating much of the substance of the first two paragraphs of the Acting Secretary's letter printed here, was prepared by the Department of State to reply to Archduke Otto's letter of February 20 to President Truman. Regarding the latter letter, see footnote 37, p. 175.

that you realize both the historic and current factors which make undesirable any effort by the occupying powers, in prescribing the general form of democratic government for Austria, to render ineffective the Austrian law of 1919.

Sincerely yours,

DEAN ACHESON

760F.6315/3-1647 : Telegram

*The Acting United States High Commissioner for Austria (Keyes) to the United States High Commissioner for Austria (Clark) at Moscow*⁹¹

SECRET

VIENNA, 16 March 1947.

PRIORITY

P 6899. Austrian-Czechoslovak negotiations were held this week in Vienna on 6 frontier rectifications outlined in Czech memorandum presented to CFM London,⁹² together with a new seventh point concerning proposed power station near Lipno.

Above first stage of negotiations was completed March 14 after 4 days of satisfactory discussion of mutually agreeable atmosphere. Results are incorporated in protocol of that date which Austrian and Czech negotiators will now submit to their respective governments. Copy being sent to you by courier plane.⁹³

Tentative agreement was reached on all points presented to CFM except on the cession of territory:

- (1) South of the Danube and
- (2) West of the March, at the junction of Danube and March.

Austrian cabinet decided that while it wished to meet Czech desires to a reasonable extent, it could not agree cession of these fairly large areas of Austrian territory. Czechs then suggested alternative cession of much smaller area at river junction. Austrians said they would prefer not to cede territory, for one reason because that would cut them off from access to the proposed Danube Oder Canal, but would be glad to have experts study every possible way in which the technical needs of Czechs for canal construction and maintenances be met on Austrian territory without changing sovereignty. Both delegations now con-

⁹¹ The source text, an information copy, which was transmitted to the Department of State through the War Department as message CM IN 2960, 17 March 1947, has been collated with the copy of the telegram in the Vienna Legation Files—1947, 715 Boundaries.

⁹² The frontier rectifications proposed by the Czechoslovak Delegation at the meetings of the Deputies for Austria at London are described in telegram 627, Delsec 1155, January 29, 1947, from London, p. 116.

⁹³ The protocol on the Czechoslovak-Austrian negotiations, dated March 14, 1947, was transmitted to the Department of State as an enclosure to despatch 2765, March 18, 1947, from Vienna, not printed (760F.6315/3-1847).

template doing this, subject to yield of Czech Government on protocol of March 14.

Latter includes statement by Austrian Delegation that is proceeding in effort to meet Czech desires on assumption that while negotiations continue on remaining points Czech Government will refrain from raising them for international consideration, in particular in connection with the Austrian Treaty Conference, and that if Czech Government does so raise them, all six points should be considered as a whole and Austrian Government would not be bound on the concessions it had made on the four points already tentatively settled.

Decision of Czech Government whether to continue negotiations or raise question at Moscow is now being awaited. Meanwhile Chief Czech Negotiator, Fischer (Fisa) has left Vienna to go to Prague and thence to Moscow.⁹⁴

[KEYES]

Vienna Legation Files—1947 : 710 Treaty

The Acting United States High Commissioner for Austria (Keyes) to the United States High Commissioner for Austria (Clark) at Moscow

SECRET

VIENNA, March 17, 1947—10 a.m.

PRIORITY

P-6905. For Clark. Austrian government is becoming increasingly uneasy as time continues to pass without an Austrian Delegation being invited to Moscow. They fear that current drafting of the treaty may crystallize before any views or information they might later give could be taken into consideration. They are also worried by absence of any official information regarding current proposals. Gruber has therefore seen Koptelov with reference to the suggestion of the Deputies in London that an Austrian Delegation stand by for Moscow, and has asked whether the Soviet government will not arrange immediately for the presence of one or more Austrian delegates in Moscow

⁹⁴ Telegram 157, February 23, 1949, from Vienna, not printed, reported as follows on the failure of the negotiations to be resumed:

"No further developments on Czech-Austrian frontier changes have occurred since bilateral negotiations broke down in spring 1947. Negotiators signed March 14, 1947, outlining respective positions on six points raised in Czech memorandum of January, 1947 to Deputies. While protocol registered qualified Austrian agreement to several Czech proposals, Austrian opposition was adamant to request for cession territory south of Danube and between Danube and Morava desired for expansion Bratislava and for outlet Oder-Danube canal. According to Austrian Foreign Office, Czechs have not pursued matter since that time." (760F.6315/2-2349)

to stand by there instead of in Vienna. Meanwhile he hopes the Deputies meeting in Moscow will express a desire for this.⁹⁵

KEYES

Vienna Legation Files-1947: 710 Treaty

*Memorandum by the United States High Commissioner for Austria
(Clark) to the Secretary of State*

SECRET

[Moscow,] March 20, 1947.

SUBJECT: CHIEF ISSUES OUTSTANDING TO DATE ON AUSTRIAN TREATY⁹⁶

POLITICAL CLAUSES

1. *Signing or Adherence by Invited States*

The issue is raised in paragraph 1 of the Preamble whether the invited States should be entitled to sign or to adhere to the Treaty.

US Position: The invited States should be entitled to sign while other United Nation States may adhere. On this basis the invited States should be named either in the Preamble or in a signatory clause at the end of the Treaty. If the invited States are not named in the Preamble, it should be clearly indicated there that the designation "Allied and Associated Powers" includes the invited States named at the conclusion of the Treaty as being entitled to sign.

UK Position: The invited States should be designated by name in the Preamble as signatory powers. The UK expressed the view on March 18 that the invited States should be given the right to comment on the terms of the Treaty as agreed to by the CFM.

French and Soviet Position: The signatory powers should consist only of the Four Powers and Austria.

Recommendation: The US Position should be upheld in order to obtain for the invited States a more significant part in connection with the Treaty, to accord them due recognition for their share in the war, and to associate them explicitly with the observance of the provisions of the Treaty.

2. *Responsibility for Participation in the War*

The issue whether Austria was responsible for participation in the war emerges in connection with paragraph 3 of the Preamble, which

⁹⁵ At its 11th Meeting, March 21, 1947, the Council of Foreign Ministers agreed to a proposal by Secretary Marshall that the Austrian Government be invited to send representatives to Moscow to be available for consultation with respect to the Austrian Treaty; for a summary report on that Council meeting, see telegram 927, Delsec 1330, March 21, from Moscow, p. 270.

⁹⁶ For the text of the Draft Treaty for the Re-Establishment of an Independent and Democratic Austria, see document CFM(47)(M)82, March 29, 1947, p. 516.

states "Austria cannot avoid certain [responsibility—responsibilities—consequences]⁹⁷ arising from participation in the war."

US and UK Position: Although Germany made use of Austrian territory, manpower, and material resources in carrying on the war against the United Nations, Austria, having been annexed by force, was not a political entity at the time the war began and was never free to make a decision on the question of participation in the war. The present Austrian State should therefore not be charged with a responsibility on the basis of which Austria might be considered virtually an ex-enemy State subject to punitive treatment. The word "consequences" is the preferable alternative among the bracketed expressions in as much as it suggests that Austria will inevitably bear certain effects of the war without being held responsible for a decision to participate in the war.

Soviet Position: The word "responsibility" should be used in this clause. The Soviet Delegation refused at London and again at Moscow on March 18 to accept either "consequences" or "responsibilities". As their attitude in this question indicates, the Soviets tend to regard Austria in the same category as ex-enemy States and accordingly consider that Austria bears a responsibility for participation in the war "on the side" of Germany.

French Position: The French prefer the word "responsibilities", which they proposed, but are willing to accept "consequences".

Recommendation: The US should continue to try to obtain adoption of "consequences" since it is acceptable to three of the Four Powers. While it may be necessary to reach a compromise on the word "responsibilities", the US should agree to "responsibility" only as a last resort.

3. *Preservation of Austrian Independence*

The issue in Article 2 is whether there shall be included in the Treaty clauses requiring commitments on the part of both the signatory States and Austria herself to safeguard Austria's independence and territorial integrity.

US Position: The US Delegation proposed a clause in the first paragraph of Article 2 by which the Allied and Associated Powers declare that they shall respect the independence and territorial integrity of Austria. The US joined with the French in working out a guarantee clause in the second paragraph which would require the Allied and Associated Powers to oppose any action that may threaten the political or economic independence or the territorial integrity of Austria, and in event of such threat to consult with one another and with the appropriate organs of the United Nations with regard to appropriate action.

⁹⁷ Brackets appear in the original.

The US Delegation also proposed a clause in the third paragraph which would oblige Austria to acknowledge the external responsibilities attaching to the reestablishment of independence and to abstain from any act which will threaten her political or economic independence or her territorial integrity.

UK Position: The UK has felt that all three paragraphs are unnecessary because of the functions of the United Nations and the obligations assumed under the United Nations Charter to assure the independence and territorial integrity of all member States. The UK assumes that Austria will be a member of the United Nations shortly after the entry into force of this Treaty. At Moscow, the UK, however, proposed a clause for Paragraph 2 reading:

“In the event of a threat to the territorial integrity of Austria, the Allied and Associated Powers will after consulting together take action through the appropriate organs of the United Nations.”

In an effort to meet the views of the French, the UK Delegation are willing to insert in the above proposal after the word “Austria” the phrase “or failure to observe the provisions of Article 4”. The UK are prepared to accept paragraph 1 in order to obtain unanimity but regard the proposed paragraph 3 as unnecessary.

French Position: The French wish to neutralize Austria permanently and keep it from having close ties with any other country. An original French proposal would have obliged the signatory States to give “full assistance and support” if a threat to Austria’s independence arises. The French Delegation believe that the first paragraph is unnecessary but are willing to accept it in order to obtain unanimity; regard the new British proposal for the second paragraph as inadequate because of the omission of “political or economic independence” and because of its weaker obligation on the signatory powers; and accept the US proposal for the third paragraph.

Soviet Position: The entire Article is unnecessary, both in original and in revised form. The obligations assumed under the United Nations are greater than those which will be undertaken through this Article by Austria and other signatory States. If Austrian independence is threatened, Austria itself or any other signatory power could bring the matter before the Security Council and any measures taken to protect Austria would be taken in accordance with the United Nations Charter rather than the Treaty.

Recommendation: The deadlock over this issue appears hopeless. It is my personal opinion that the provisions in these paragraphs are not essential to the Treaty in view of the security functions of the United Nations and the obligations assumed under the United Nations Charter by the States signatory to the Austrian Treaty. The United States

position in this question should therefore be abandoned, and it may be that a concession can be obtained at the same time from the Soviets with respect to another Article.

The Deputies agreed on March 20, to refer the following Article, in the form indicated below, to the Council of Foreign Ministers.

ARTICLE 2

Preservation of Austria's Independence

[1. The Allied and Associated Powers declare that they shall respect the independence and territorial integrity of Austria as established under the present Treaty.⁽¹⁾]

[2. The Allied and Associated Powers shall oppose any action, in any form whatsoever, that may threaten the political or economic independence or the territorial integrity of Austria, and in event of such threat will consult with one another and with the appropriate organs of the United Nations with regard to appropriate action.⁽²⁾]

[In the event of any threat to the territorial integrity of Austria, the Allied and Associated Powers will after consulting together take action through the appropriate organs of the United Nations.⁽³⁾]

[3. Austria on her part fully acknowledges the external responsibilities attaching to the reestablishment of national independence and undertakes to abstain from any act that will threaten her political or economic independence or her territorial integrity.⁽⁴⁾]

⁽¹⁾ US proposal. UK and French Delegations will accept this paragraph to obtain unanimity.

⁽²⁾ French and US proposal.

⁽³⁾ UK proposal.

⁽⁴⁾ US proposal which is supported by the French Delegation. UK and Soviet Delegations consider this paragraph unnecessary.

4. *Prohibition of Pan German Propaganda*

The issue developed in connection with the requirements laid on Austria in Article 4 for the purpose of preventing a future *Anschluss*.

Soviet Position: At the suggestion of the Soviet Delegation, the Article was amended by a bracketed phrase which would compel Austria to prevent the existence or activity of any organizations having as their aim propaganda in favor of union with Germany "as well as pan-German propaganda in any form whatsoever." The Soviet Delegation have indicated that they attributed to the phrase "pan-German" a broader significance than is generally accepted in Western countries, applying it to cultural as well as political matters. Mr. Kisilev, for example, illustrated "pan-German" propaganda by calling attention to an article published at Linz in the US Zone of Austria which stated that Austria was the inheritor and beneficiary of the best in German culture.

U.S. Position: The US Delegation object strongly to the Soviet amendment in view of the experience of the US Commissioner for Austria with Soviet protests against freedom of speech and the press,

and in view of the interpretation given to "pan-German" at London by the Soviet Delegation. If the phrase "pan-German propaganda" were accepted in this context it might provide a basis for interference in Austrian affairs and restrictions on the freedom of expression in Austria. US Delegation has advanced at Moscow a counter-proposal as follows:

"Austria further undertakes to prevent within her territory any act likely, directly or indirectly, to promote such union and shall prevent the existence, resurgence and activities of any organizations having as their aim political or economic union with Germany and pan-German propaganda in any form whatsoever in favor of *Anschluss* with Germany."

UK Position: Same as the U.S.

French Position: The French believe that pan-German propaganda is dangerous in itself and therefore support the Soviet proposal.

Recommendation: The US must not accept the language of the Soviet proposal because of the danger that this might be considered acknowledgment of the sweeping scope given to the term "pan-German propaganda" by the Soviets in the discussions of the Austrian Treaty. The US should make no concession in this matter beyond the counter-proposal indicated above.

5. *The Austrian-Yugoslav Frontier*

The issue in Article 5 is whether Austria shall have her pre-*Anschluss* boundaries or whether account shall be taken of the Yugoslav claim to an area comprising 1,273 square miles in southern Carinthia and 123 square miles in Styria. This claim was advanced in memoranda presented to the Deputies on January 22, 1947. The area claimed in Carinthia is considerably larger than the Klagenfurt plebiscite area of 1920.

US, UK and French Position: The US, UK and French Delegations have supported a clause establishing the frontiers of Austria as they existed on January 1, 1938. The Yugoslav claim is regarded as unjustified for the following reasons: (1) the pre-*Anschluss* boundary between Austria and Yugoslavia was determined on the basis of a free plebiscite in 1920 in the Klagenfurt area; (2) the census statistics of 1910 and 1934 indicate a predominantly German-speaking element in these areas; (3) the boundaries as determined in 1920 were generally regarded during the interwar period as fair and reasonable; (4) the adverse effect which the seizure of the claimed territory would have on Austrian chances for survival as an independent and democratic state.

Soviet Position: The Soviet Delegation have recommended at London and at Moscow that the Council of Foreign Ministers create a spe-

cial committee to study the claim of Yugoslavia and to prepare appropriate recommendations. It is uncertain whether this action of the Soviets represents more than a gesture of support in behalf of a loyal ally or whether they will not finally abandon this position in favor of agreement with the other members of the Council.

Recommendation: The US must continue to oppose any revision of the 1937 frontier between Austria and Yugoslavia.

6. *Naturalization and Residence of Germans in Austria*

The issue is whether to include a clause such as Article 6 disqualifying all or certain categories of politically unreliable Germans from naturalization by Austria and permanent residence in Austria.

US Position: The US Delegation prefer to omit this Article, believing that the matter of Austrian nationality should be left for Austria to determine on the basis of existing law. But the US Delegation propose as a compromise to include provisions which would deny Austrian nationality to certain German nationals as undesirable individuals; which would annul the naturalization of such German nationals who may have been naturalized after March 1, 1933; and which would prevent the immigration into and permanent residence in Austria of such German nationals.

UK Position: The UK Delegation consider this Article unnecessary and wish to leave the matter for Austria to decide.

Soviet Position: The Soviet Delegation propose to deny naturalization and permanent residence in Austria to all German nationals, to annul the naturalization of all German nationals accomplished subsequent to March 1, 1933, and to prevent the immigration into or permanent residence in Austria of German nationals—with transference of domicile to Germany of all non-naturalized Germans and all Germans naturalized since March 1, 1933.

French Position: The French Delegation favor inclusion of Article 6 provided that its scope is limited to certain categories of German nationals.

Recommendation: The US should continue its opposition to the sweeping Soviet prohibition laid on all German nationals, and continue to advance a proposal for a limited prohibition—preferably to affect the category of German nationals “who have been classified as ‘major offenders’ or ‘offenders’ under Directive No. 38 of the Allied Control Council for Germany, or who have been classified as ‘implicated persons’ or ‘less implicated persons’ under the Austrian Law of June 24, 1946, as amended, and who have not been exonerated and rehabilitated according to law.” This definition makes use of the accumulated experience of military administration in Germany and Austria, and is more realistic than the formalistic category of Germans “who have been members of the Nazi Party”.

7. *The Use of Fascist Terminology*

The issue whether to use "Fascist" or "Nazi" terminology in reference to prohibited persons, organizations and influences appears in Articles 9, 10, and 18.

US, UK and French Position: The US, UK and French Delegations wish to use only the word "Nazi" because of its special applicability to Austria during the period of National Socialist domination from 1938 to 1945. They believe, moreover, that it would be exceedingly difficult to ascertain which organizations and elements in pre-*Anschluss* and present-day Austria might be fairly and unquestionably recognized as Fascist. These Delegations are also concerned about the use made of the word "Fascist" by the Soviet press and radio, in which it appears to apply to any person or organization in opposition to Russian Communism. Upon the suggestion of the UK Delegation an attempt has been made to resolve this issue in Article 9 by a re-draft of the Article on the basis of language in Section A, paragraph 3 (iii) of the Potsdam agreement, thereby avoiding use of the word "Fascist". Such a revision has been approved by the US, UK, and French Delegations.

Soviet Position: The Soviet Delegation believe that the word "Nazi" is too limited in scope and that the broad generic term "Fascist" should be used to refer not only to German and Austrian National Socialism, but also to what the Soviets describe as Austrian Fascism. They apply the latter term to the administrations of Dollfuss and Schuschnigg and related political tendencies in Austria from 1933 to 1938. The Soviet Delegation have reserved their position as to the revised Article 9 pending consultation among themselves. If the Soviets accept this version, it remains uncertain, however, whether they have agreed to abandon "Fascist" terminology elsewhere in the Treaty.

Recommendation: The US should hold out for the exclusive use of the term "Nazi". In the denazification legislation of both Germany and Austria there are very numerous references to "Nazi" and "National Socialist" and "National Socialism". These are the terms which have always been used in Austria and Germany to characterize the Hitler movement, and they are the terms now regularly used. Nowhere in the German or Austrian Denazification Laws do the words "Fascist" or "Fascism" appear. When the Soviet Delegation describe Austrian Fascism, and it is personified in Dollfuss and Schuschnigg, they are thinking for purposes of present-day Austrian politics under the Austrian Peoples Party which the USSR looks upon with great disfavor because it is an anti-Communist and Western-oriented democratic political party.

8. *Obligation to Enforce Legislation Approved by the Allied Commission for Austria*

The Chief issue in Article 10 is whether Austria should be obliged strictly to enforce for an indefinite period the laws and orders promulgated by the Austrian Government since May 1, 1945 and approved by the Allied Commission for Austria.

The Soviet Position: The Soviet Delegation proposed that Austria should be subject to such an obligation. They had in mind legislation directed at the liquidation of the previous regime in Austria and the reestablishment of a democratic system. They were especially preoccupied with the Austrian Denazification law as amended, which they wish to keep in force without change even in matters of detail.

US, UK and French Position: The US, UK and French Delegations oppose a rigid imposition which would make impossible any future change in the legislation of the occupation period and propose a statement obliging Austria to give effect to "the principles contained in" the laws and orders promulgated by the Austrian Government and Parliament since May 1, 1945, and approved by the Allied Commission for Austria. The Austrian Government takes a view of this issue in accordance with the position of the US, UK and France. In an effort to find a more definite expression than "the principles contained in", the US proposed on March 10 the substitution of the phrase "the program contained in".

Recommendation: The US must hold out for the more flexible obligation on Austria represented by the US, UK and French proposal. If the Soviet proposal is accepted, this Article will more readily permit the Soviets to find pretexts for intervention in Austrian affairs for an indefinite period whenever they consider the letter of the law from the occupation period is not being observed.

9. *War Criminals*

The issue in Article 11 is whether to require Austria for an indefinite period to surrender to United Nations Governments upon their request and without presentation of satisfactory evidence persons designated as war criminals and collaborators by United Nations Governments.

US and UK Position: The US and UK Delegations have strongly supported a joint proposal requiring the presentation of evidence considered satisfactory by the Heads of Missions in Vienna before Austria should surrender requested persons charged as war criminals or collaborators. This proposal also limits the submission of requests to a period within 90 days after the coming into force of the Treaty and would not require Austria to produce witnesses for the trial of such persons.

Soviet and French Position: The Soviet and French Delegations oppose the above position with a joint proposal for incorporation in the Austrian Treaty the identical language of the War Crimes Article taken from the Italian and satellite treaties. This proposed clause would compel Austria to surrender alleged war criminals and collaborators upon designation by United Nation's Governments and would impose no time limit on the duration of this obligation.

Recommendation: The US must continue to support the principles contained in the joint US-UK proposal. Acceptance of the Joint Soviet-French proposal would permit the Soviets to continue to demand surrender of claimed Soviet nationals who, in many cases, have been neither Soviet nationals nor collaborators. When the Allied Powers are no longer in occupation of Austria, the Austrian Government would probably become subject to irresistible pressure under the provisions of such an Article as advocated by the Soviet and French Delegations, and the protection of elementary human rights for many persons under Austrian jurisdiction would be endangered.

10. *Period for Withdrawal of Allied Forces*

The issue in Article 33 is whether the Allied Commission for Austria should terminate on the entry of the Treaty into force or at such time thereafter as the Allied Forces are withdrawn.

US Position: The Allied Commission should cease to operate on the effective date of the Treaty, while Allied troops would be withdrawn within a subsequent period of 90 days. If the Allied Commission continues to exist beyond the entry into force of the Treaty, Austria would not be a sovereign independent state as the Treaty provides. The problem of the relations of the Allied troops and the Austrian Government during the period of withdrawal might be dealt with by regulations drawn up by the Allied Commission before its cessation.

UK Position: The UK Delegation originally concurred in the US proposal for termination of the Allied Commission and proposed to accord to the Allied Forces during the period of withdrawal the immunities they enjoyed before the effective date of the Treaty. By an alternative suggestion of the UK, the Treaty would provide for the cessation of the Allied Commission upon the entry into force of the Treaty but a separate protocol, to be signed at the same time as the Treaty, would require the Four Powers to withdraw their forces within a subsequent period of 90 days. This proposal would presuppose that ratification and entry into force of the Treaty would not occur until this period of 90 days had expired. This proposal has the merit of accomplishing the same objective as the US and the Soviets desire without resort to regulations of questionable legality and without infringement on Austrian sovereignty.

French Position: The French Delegation agree with the US as to the date for the termination of the Allied Commission and propose to solve the problem of the status of Allied Forces during the period of withdrawal by provision in the Treaty for immunities and for the establishment of an Allied Liquidation Commission under the four Heads of Mission at Vienna.

Soviet Position: The Soviets believe that none of the foregoing proposals are sufficient and that the Allied Commission should not cease to operate until Allied Forces have been withdrawn not later than 90 days after the Treaty becomes effective. They would avoid the creation of a new legal situation by extending the Control Agreement of June 28, 1946 and the Agreement on the Zones of Occupation and the Administration of Vienna to the period of withdrawal. They have called attention especially to the possibility of applying Article 8 of the Control Agreement on Immunities at this time.

Recommendation: The US should support the new UK proposal for a separate protocol on withdrawal since it avoids the difficulties inherent in the US and Soviets' positions and may more likely meet with Soviet approval than the French solution of this problem.

740.00119 EW/3-2647

*Archduke Otto of Hapsburg-Lorraine to the Acting
Secretary of State*⁹⁸

WASHINGTON, March 26, 1947.

DEAR MR. SECRETARY: I acknowledge the receipt of your letter of March 13th,⁹⁹ replying to my letters of February 20th.¹

I note from your letter, that the decision taken by the Deputy Foreign Ministers in London is from the American point of view not a matter of principle or general policy, but based on an estimate of momentary political expediency.

Nevertheless, I take the liberty to draw your attention to the following considerations:

⁹⁸ On April 16, 1947, Acting Secretary Acheson acknowledged receipt of this letter and assured the Archduke that his comments were receiving "attentive consideration of appropriate officers of the Department of State." (740.0011 EW Peace/3-2647) A copy of this letter was sent to the American Delegation at the Council of Foreign Ministers at Moscow by Acting Secretary Acheson on April 17, 1947.

⁹⁹ *Ante*, p. 502.

¹ *Ante*, p. 175.

1—You state in your letter: "Since this action was based on existing Austrian statutes, I cannot agree with your statement, that the clause provisionally agreed upon . . . constitutes an unwarranted interference in Austrian domestic affairs." The fact is, that according to the Austrian constitution, any existing domestic statute may be revised by the Austrian people. Thus the laws of Austria, including the so-called Habsburg law, are Austrian domestic affairs. By this decision of the Deputy Foreign Ministers, however, a domestic affair of Austria, which is and will remain among the inalienable rights of the Austrian people is now treated, without warrant of law, as an international question to be decided without consulting the people of Austria.

2—You state, that one of the reasons for the decision is fear of interference into Austrian domestic affairs. May I remark, that as above noted, the action taken in London constitutes the gravest interference in the domestic affairs of Austria and that the annulment of this action alone will remove an unwarranted interference in Austrian domestic affairs.

There is a basic distinction between feasance and nonfeasance. The distinction between asking that no action should be taken in the matter and demanding that the occupying powers should remove from the statute books certain Austrian statutes is absolute. I refer to paragraph three of your letter. In this connection I wish to state clearly and emphatically that I do not wish one single Austrian law to be altered by the occupying powers. I would not think of requesting from the occupying powers the abrogation of any Austrian law. I do however consider that to decree by international action that one law among thousands shall be inalterable is a violation of the inalienable rights of the Austrian people.

It is obvious, Mr. Secretary, that at the present time no one would aspire to a leading position in Austria from personal ambition. Thus my energetic protest against the action which was drafted in London is on behalf of those thousands of Austrian Monarchists, who have suffered and died in the German prisons and concentration camps or in the resistance movement for the principles in which they believe. It is also because of the rights of my people which I have the duty to defend.

Do you not agree with me, Mr. Secretary, in one cardinal point: Just now, when all parties standing against Communism have to be rallied in Central and Eastern Europe, is it not necessary to strengthen, instead of weakening, the one political movement standing like a rock against Naziism and Communism, and having a consistent record of most sincere pro-American feelings and action.

Believe me [etc.]

OTTO OF AUSTRIA

760F.6315/3-2847: Telegram

*The Chargé in Czechoslovakia (Bruins) to the Secretary of State*²

CONFIDENTIAL

PRAHA, March 28, 1947.

282. Official of Czechoslovak Foreign Ministry states that Czechoslovak-Austrian negotiations concerning frontier rectification have thus far made no definite progress. Preliminary conversations indicate it may be possible to reach agreement on most of proposed frontier changes. However, Austrians have so far been adamant on ceding territory opposite Bratislava and it is precisely this territory to which Czechs attach most importance.³ Austrians naturally wish to avoid impression they are being treated as a conquered country and Czechs intend to respect this desire. Czechs are still hopeful that bilateral negotiations between the two countries will be brought to a successful conclusion but if this is not possible they will once more bring the question before the Council of Foreign Ministers.

Sent Department as 282; repeated to Vienna as 15.

BRUINS

CFM Files: Lot M-88: Box 58

*Report of the Deputies for Austria to the Council of
Foreign Ministers*

SECRET

Moscow, March 29, 1947.

CFM (47) (M) 82

DRAFT TREATY FOR THE RE-ESTABLISHMENT OF AN INDEPENDENT AND
DEMOCRATIC AUSTRIA

[*Editor's Note:* The text printed here incorporates the additions contained in document CFM(47) (M) 130, April 15, 1947, and the corrigendum thereto.

The Deputies for Austria began the preparation of a draft Austrian treaty during their meetings in London from January 14 to February 25, 1947. A preliminary text (not printed) was included by the

² This message was repeated to the United States Delegation at the Council of Foreign Ministers as telegram 750, Secdel 1405, April 1, 1947, to Moscow.

³ In telegram 360, April 11, 1947, from Praha, not printed, Ambassador Steinhardt reported on a conversation with Czechoslovak Acting Foreign Minister Vladimir Clementis in part as follows:

"As to the desire expressed by Czechoslovakian Government for minor frontier rectification by an exchange of territory with Austria, Clementis said the Big Four powers had replied in the affirmative to an inquiry as to whether the Allied Control Commission would approve agreement if arrived at by Czechoslovakian and Austrian Governments, but he had been informed confidentially that General Clark advised Austrian Government not to enter into agreement proposed by Czechoslovakian Government and to which Austrian Government giving serious consideration." (760C.60F/4-1147)

Deputies in their Report to the Council of Foreign Ministers, CFM (D) (47) (A) 102, February 25, 1947, page 134. On March 11, following the opening of the Moscow Session of the Council of Foreign Ministers, the Deputies for Austria resumed work on the draft treaty. Following submission of their Report to the Council on March 29, the Deputies continued consideration of articles on which agreement had not yet been reached. The Council of Foreign Ministers discussed the draft Austrian treaty at the following meetings: 30th, April 16, 31st, April 17, 32nd, April 17, 34th, April 18, 35th, April 19, 36th, April 19, 37th, April 20, 39th, April 21, 42nd, April 23, 43rd, April 24, 2nd Informal, April 21, 3rd Informal, April 22, and 4th Informal, April 22. For the records of decision and the reports on these meetings, see pages 344-390 *passim*.

The text printed here is that which was referred to the Council by the Deputies on March 29 together with the addenda of April 15. Disagreed articles are indicated by brackets as in the source text. Unless otherwise indicated, the footnotes here printed appear in the source text. The original footnote enumeration has been retained. Footnotes supplied by the editor continue seriatim from the preceding document. Portions of this text deleted by the Council of Foreign Ministers in the course of their consideration are indicated by cancelled type. Revisions and additions to the text adopted by the Council are printed in italic type. Appropriate annotations identify the new texts of articles brought before the Council during its deliberations on the treaty. Certain minor linguistic changes adopted by the Draft Committee of the Deputies for Austria and recorded on a copy of CFM (47) (M) 82 filed in Lot M-88, Box 74, "Austrian Treaty Corrected to End of Moscow Conference," are also indicated here.]

PREAMBLE

1. The Union of Soviet Socialist Republics, ~~the United States of America~~, the United Kingdom of Great Britain and Northern Ireland, *the United States of America* and France, ⁽¹⁾ hereinafter referred to as

⁽¹⁾ ~~The United Kingdom and United States Delegations wish to enumerate here as further signatory Powers all or certain of the following States: Australia, Belgium, the Byelorussian Soviet Socialist Republic, Brazil, Canada, China, Czechoslovakia, Denmark, Greece, India, Luxembourg, the Netherlands, New Zealand, Norway, Poland, the Ukrainian Soviet Socialist Republic, the Union of South Africa, the People's Federal Republic of Yugoslavia.~~

"the Allied and Associated Powers"⁽²⁾ of the one part and Austria of

⁽²⁾ ~~"Allied and Associated Powers" or any other phrase agreed by the Ministers.~~

the other part;

2. Whereas on March 13, 1938, Hitlerite Germany annexed Austria by force and incorporated ~~her~~ *its* territory in the German Reich;

3. Whereas, following this annexation, Austria, as an integral part of Hitlerite Germany, participated in the war against the Allied and Associated Powers and other United Nations, and whereas Germany made use for this purpose of Austrian territory, troops and material resources and Austria cannot avoid certain [responsibility—responsibilities—consequences]⁽³⁾ arising from this participation in the war;

⁽³⁾ Soviet Delegation proposes the word "responsibility"; United States and United Kingdom Delegations propose the word "consequences"; French Delegation prefers the word "responsibilities" but would accept "consequences."

4. Whereas in the Moscow Declaration of November 1, 1943, the Governments of the Union of Soviet Socialist Republics, the United Kingdom and the United States of America and the United Kingdom declared that they regarded the annexation of Austria by Germany on March 13, 1938, as null and void and affirmed their wish to see Austria re-established as a free and independent State and the French Committee of National Liberation made a similar declaration on November 16, 1943;

5. Whereas as a result of the Allied victory Austria was liberated from the domination of Hitlerite Germany;

6. Whereas the Allied and Associated Powers, and Austria, taking into account the importance of the efforts which the Austrian people themselves have made and will have to continue to make for the restoration and democratic reconstruction of their country, desire to conclude a treaty re-establishing Austria as a free, independent and democratic State, thus contributing to the restoration of peace in Europe;

7. Whereas the Allied and Associated Powers desire by means of the present Treaty to settle in accordance with the principles of justice all questions which are still outstanding in connection with the events referred to above including the annexation of Austria by Hitlerite Germany and participation in the war of *Austria* as an integral part of Germany; and

8. Whereas the *Allied and Associated Powers Union of Soviet Socialist Republics, the United States of America, the United Kingdom of Great Britain and Northern Ireland, and France* ⁽⁴⁾ of the one

⁽⁴⁾ The United Kingdom and United States Delegations propose that if the Ministers decide to include other States as signatories to the Treaty in the first paragraph of the preamble, the phrase "Allied and Associated Powers" (or such other phrase as may be agreed by the Ministers) should replace the reference to the Four Powers in this paragraph.

part, and Austria of the other part, are accordingly desirous for these purposes of concluding the present Treaty to serve as the basis of

friendly relations between them ~~thereby enabling and to enable~~ the Allied and Associated Powers ~~Union of Soviet Socialist Republics, the United States of America, the United Kingdom of Great Britain and Northern Ireland, and France~~ ⁽¹⁾ to support Austria's candidature for admission to the United Nations Organisation;

9. Now ~~Have~~ therefore the Governments of the Allied and Associated Powers and of Austria have appointed the undersigned Plenipotentiaries who, after presentation of their full powers, found in good and due form, have agreed on the following provisions:

PART I. POLITICAL and Territorial CLAUSES

SECTION I

ARTICLE 1

Re-establishment of Austria as a Free and Independent State

The Allied and Associated Powers recognise that Austria is re-established as a sovereign, independent and democratic State.

ARTICLE 2

Preservation of Austria's Independence ⁽¹⁾

⁽¹⁾ Soviet Delegation considers this article unnecessary.

[1. The Allied and Associated Powers declare that they will respect the independence and territorial integrity of Austria as established under the present Treaty. ⁽²⁾]

⁽²⁾ United States proposal. United Kingdom and French Delegations will accept this paragraph in order to obtain agreement. *U.S. Delegation considered this paragraph necessary in CFM.*

[2. The Allied and Associated Powers shall oppose any action, in any form whatsoever, that may threaten the political or economic independence or the territorial integrity of Austria, and in event of such threat will consult with one another and with the appropriate organs of the United Nations with regard to appropriate action. ⁽³⁾]

⁽³⁾ French and United States proposal. *U.S. willing to withdraw this paragraph if other delegations agree but French continue to adhere to this paragraph. (CFM)*

[2. In the event of any threat to the territorial integrity of Austria the Allied and Associated Powers will after consulting together take action through the appropriate organs of the United Nations. ⁽⁴⁾]

⁽⁴⁾ Alternative text proposed by United Kingdom Delegation. *UK Delegation withdraws this paragraph in CFM.*

[3. Austria on her part fully acknowledges the external responsibilities attaching to the re-establishment of national independence and

undertakes to abstain from any act that will threaten her political or economic independence or her territorial integrity.⁽⁵⁾]

⁽⁵⁾ United States proposal, supported by French Delegation. United Kingdom Delegation considers this paragraph unnecessary. *United States Delegation withdrew this paragraph in CFM.*

ARTICLE 3

Recognition by Germany of Austrian Independence

The Allied and Associated Powers will incorporate in the German Peace Treaty provisions for securing from Germany the recognition of Austria's sovereignty and independence and the renunciation by Germany of all territorial and political claims in respect of Austria and Austrian territory.

ARTICLE 4

Prohibition of Anschluss

1. The Allied and Associated Powers declare that political or economic union between Austria and Germany is prohibited. Austria fully recognises ~~her~~ *its* responsibilities in this matter and shall not enter into political or economic union with Germany in any form whatsoever.

2. In order to prevent such union Austria shall not conclude any agreement with Germany, nor do any act, nor take any measures likely, directly or indirectly, to promote political or economic union with Germany, or to impair *its* ~~her~~ {territorial integrity or ⁽¹⁾} political

⁽¹⁾ ~~United States and French proposal.~~

or economic independence. Austria further undertakes to prevent within ~~her~~ *its* territory any act likely, directly or indirectly, to promote such union and shall prevent the existence, resurgence and activities of any organisations having as their aim political or economic union with Germany and *pan-German* propaganda in favour of union with Germany [~~as well as pan-German propaganda in any form whatsoever~~⁽²⁾].

⁽²⁾ ~~United States and U.K. Delegations object to the words in brackets.~~

ARTICLE 5

Frontiers of Austria

[The frontiers of Austria shall be those existing on January 1, 1938]⁽¹⁾ ⁽²⁾

⁽¹⁾ United Kingdom, United States and French proposal.

⁽²⁾ The Soviet Delegation supports the territorial claims of Yugoslavia against Austria set out in memoranda of the Yugoslav Government presented to the Deputies on January 22, 1947. (Soviet proposal for footnote April 21.)

ARTICLE 6

Naturalization and Residence of Germans in Austria

1. The Government of Austria undertakes not to grant naturalization to German nationals {who have been members of the Nazi Party.}(²)

2. All acts of naturalization of German nationals {who have been members of the Nazi Party}(²) which took place after March 1, 1933 shall be annulled by the Government of Austria: *within a period of one year from the coming into force of the present Treaty.*

3. The Government of Austria undertakes not to permit the immigration into Austria for permanent residence or the permanent residence in Austria of German nationals {with the exception of such cases as may be justified by legitimate interests.}(²)

4. ~~All persons referred to in paragraphs 2 and 3 must transfer their domicile to Germany on the conditions and within a period to be fixed by agreement between the Government of Austria and the Control Council for Germany.~~

5. ~~The Government of Austria shall take the necessary steps to ensure that the fulfilment of the present provisions is completed within a period of one year (³) from the coming into force of the present Treaty.}(¹)~~

(¹) French proposal with which the Soviet Delegation agrees, subject to deletion of words in brackets.

(²) The Soviet Delegation proposes to delete the words in brackets.

(³) The French Delegation considers that this period should apply only to paragraph 2.

1. Austria undertakes not to grant naturalization to German nationals who have been classified as "major offenders" or "offenders" pursuant to Directive No. 28 of the Control Council for Germany, or who have been classified as "implicated persons" or "less implicated persons" under the Austrian Constitutional Law of May 8, 1945 on the Prohibition of the NSDAP, as amended, and who have not been rehabilitated or exonerated pursuant to that Directive or that Law.

2. The naturalization by Austria of any German nationals falling within the classes referred to in paragraph 1 of this Article which took place after March 1, 1933 shall be annulled by the Government of Austria.

3. Austria undertakes not to permit the entry for the purpose of permanent residence or the permanent residence in Austria of German nationals falling within the classes referred to in paragraph 1 of this Article.

4. Austria shall require German nationals falling within the provisions of paragraphs 2 and 3 of this Article to transfer their domicile

to Germany on the conditions and within the period to be fixed by agreement between the Government of Austria and the Control Council for Germany.†⁽⁴⁾

⁽⁴⁾ U.S. and U.K. Delegations prefer to omit this Article but are prepared to include the above text if the other Delegations insist on including provisions on this subject.

SECTION II

ARTICLE 7

Human Rights

1. Austria shall take all measures necessary to secure to all persons under Austrian jurisdiction, without distinction as to race, sex, language or religion, the enjoyment of human rights, and of the fundamental freedoms, including freedom of expression, of press and publication, of religious worship, of political opinion and of public meeting.

2. Austria further undertakes that the laws in force in Austria shall not, either in their content or in their application, discriminate or entail any discrimination between persons of Austrian nationality on the ground of their race, sex, language or religion, whether in reference to their persons, property, business, professional or financial interests, status, political or civil rights or any other matter.

ARTICLE 8

Democratic Institutions

Austria shall have a democratic government based on elections by secret ballot and shall guarantee to all citizens free, equal and universal suffrage and the right to be elected to public office without discrimination as to race, sex, language, religion or political opinion.

ARTICLE 9

Dissolution of Nazi Organizations

Austria shall complete the measures already begun by the enactment of appropriate legislation approved by the Allied Commission for Austria to destroy the National Socialist Party and its affiliated and supervised organizations, including political, military and paramilitary organizations, on Austrian territory and Austria shall also continue the efforts to eliminate from Austrian political, economic and cultural life all traces of Nazism, to ensure that the above-mentioned organizations are not revived in any form, and to prevent all Nazi and militarist activity and propaganda in Austria.

ARTICLE 10

Special Clauses on Legislation

1. Austria undertakes to maintain and continue to implement {the principles contained in (1)} the laws and orders promulgated by

(1) ~~U.S. and French proposal, which the U.K. Delegation could accept but considers that Article could be simplified by the omission of the words "to maintain and continue . . . democratic system, and"~~.

the Austrian Government and Parliament since May 1, 1945, and approved by the Allied Commission for Austria, aimed at liquidation of the remnants of the Nazi regime and at the re-establishment of the democratic system, and to complete the legislative and administrative measures already taken or begun since May 1, 1945, to codify and give effect to the principles set out in Articles 7, 8 and 9 of the present Treaty and insofar as she has not yet done so to repeal or amend all legislative and administrative measures adopted between March 5, 1933 and April 30, 1945, which conflict with the principles set forth in Articles 7, 8 and 9.

2. Austria further undertakes to maintain the law of April 3, 1919, concerning the House of Hapsburg-Lorraine.

SECTION III

ARTICLE 11

War Criminals

{1. Austria shall take all necessary steps to ensure the apprehension and surrender for trial of:

a) Persons accused of having committed, ordered, or abetted war crimes and crimes against peace or humanity;

b) Nationals of any Allied or Associated Power accused of having violated their national law by treason or collaboration with the enemy during the war.

2. At the request of the United Nations Government concerned Austria shall likewise make available as witnesses persons within its jurisdiction, whose evidence is required for trial of the persons referred to in paragraph 1 of this Article.

3. Any disagreement concerning the application of the provisions of paragraphs 1 and 2 of this Article shall be referred by any of the Governments concerned to the Heads of the Diplomatic Missions in Vienna of the Soviet Union, of the United Kingdom, of the United States of America and of France, who will reach agreement with regard to the difficulty (1).

(1) ~~French and Soviet proposal.~~

[Austria shall take all necessary steps, upon the presentation of evidence considered satisfactory by the Heads of Diplomatic Missions in Vienna, of the Soviet Union, of the United Kingdom, of the United States of America and France to ensure the apprehension and surrender for trial of:

(a) Persons accused of having committed, ordered or abetted war crimes and crimes against peace or humanity.

(b) Nationals of the contracting United Nations accused of having violated their national law by treason or collaboration with the enemy during the war.

2. Requests for the handing over of persons claimed as accused shall be made within 90 days after the coming into force of the present Treaty.

3. Any disagreement concerning the interpretation or execution of paragraph 1 of this Article shall be referred by any of the Governments concerned to the Four Heads of Mission in Vienna.⁽²⁾]

(2) U.S. and U.K. proposal.

ARTICLE 11⁴

War Criminals

1. Austria shall take all necessary steps to ensure the apprehension and surrender for trial of prisoners falling within the categories specified in sub-paragraphs (a) and (b) below upon production to the Heads of Diplomatic Missions in Vienna of the Soviet Union, of the United Kingdom, of the United States and of France, of satisfactory evidence that the persons whose surrender is requested are in fact offenders within these categories:

(a) Persons accused of having committed, ordered or abetted war crimes and crimes against peace or humanity;

(b) Nationals of any Allied or Associated Power accused of having violated their national law by treason or collaboration with the enemy during the war.

2. Requests for the handing over of persons claimed as accused shall be made within six months from the coming into force of the present treaty.

3. At the request of the United Nations Government concerned, Austria shall likewise make available as witnesses persons within Austrian jurisdiction, whose evidence is required for trial of the persons referred to in paragraph 1 of this Article.

⁴ This redraft of Article 11 was prepared by the Deputies for Austria and approved by the Council of Foreign Ministers at its 39th Meeting, April 21, 1947. [Footnote supplied by the editor.]

4. Any disagreement concerning the application of the provisions of this Article shall be referred by any of the Governments concerned to the four Heads of Mission in Vienna.

SECTION IV

ARTICLE 12

Recognition of Peace Treaties

Austria undertakes to recognize the full force of the Treaties of Peace with Italy, Roumania, Bulgaria, Hungary and Finland and other agreements or arrangements which have been or will be reached by the Allied and Associated Powers in respect of Germany and Japan for the restoration of peace.

ARTICLE 13

Liquidation of League of Nations

Austria undertakes to accept any arrangements which have been or may be agreed for the liquidation of the League of Nations, the Permanent Court of International Justice and the International Institute of Agriculture at Rome.

ARTICLE 14

Bilateral Treaties

1. Each Allied or Associated Power will notify Austria, within a period of six months from the coming into force of the present Treaty, which of its bilateral treaties concluded with Austria before March 13, 1938 it desires to keep in force or revive. Any provisions not in conformity with the present Treaty shall, however, be deleted from the above-mentioned treaties.

2. All such treaties so notified shall be registered with the Secretariat of the United Nations in accordance with Article 102 of the Charter of the United Nations.

3. All such treaties not so notified shall be regarded as abrogated.

ARTICLE 15

Restoration of Archives

1. The Powers in occupation of Germany shall transfer to the ~~Austrian~~ Government of *Austria* all administrative archives (files, registers, plans and documents of any kind) now held in Germany which are necessary for the re-establishment of administrative machinery in Austria.

2. Austria shall return all administrative archives (files, registers, plans and documents of any kind) now held in Austria which are

necessary for the re-establishment of administrative machinery in Germany.

ARTICLE 16

[Transfer of Displaced Persons from Austria

Austria shall, within a period of six months after the coming into force of the present treaty, complete the transfer of displaced persons and for this purpose undertakes :

a) to render full cooperation to official representatives of the Allied and Associated Powers concerned with respect to repatriation of their nationals; to permit free access to camps and other places where displaced persons are located, and to provide the necessary means of transportation for the transfer of the repatriates to their native countries; to prohibit in camps for displaced persons any propaganda hostile to the interests of the Allies or any of the Allied Powers, and also any activities designed to induce the displaced persons not to return to their native countries; not to permit the re-establishment of dissolved, or the formation of new "committees", "centres", and other organizations engaged in activities hostile to the interests of any of the Allied Powers; to prohibit the recruiting of displaced persons into military or para-military organizations such as security detachments and guard detachments.

b) to enter into direct bilateral negotiations with the governments of the neighbouring countries concerned in order to settle all questions pertaining to the transfer from Austria of displaced persons whose presence constitutes a threat to good-neighbour relations between Austria and the neighbouring countries.]⁽¹⁾

⁽¹⁾Soviet proposal. French Delegation considers that the substance of paragraph (a) might be re-examined when the Foreign Ministers have taken a final decision on the similar proposals which have been raised in connection with the displaced persons and demographic problems in Germany.

[Displaced Persons and Refugees

1. Austria shall apply to refugees and displaced persons within her territory the principles of the Resolution regarding Refugees and Displaced Persons adopted by the General Assembly of the United Nations on February 12, 1946, set forth in Annex VI. Austria undertakes to grant to such refugees and displaced persons the same rights in all respects as those normally accorded to non-Austrians who have been legally admitted into Austria.

2. Austria undertakes to assist, with respect to the resettlement elsewhere of such refugees and displaced persons, any international organizations having responsibilities with respect to the general problem of refugees and displaced persons.]⁽²⁾

⁽²⁾U.K. proposal which U.S. and French Delegations accept.

ARTICLE 16 BIS

Transfer of Persons of German Origin
(*Reichsdeutsche and Volksdeutsche*)

[1. Austria undertakes, within a period of six months from the coming into force of the present Treaty, to complete the transfer from Austria of persons of German origin (*Reichsdeutsche* and *Volksdeutsche*) who have found themselves on Austrian territory as the result of the hostilities.

2. The Control Council for Germany shall undertake the measures necessary for the settlement on German territory of the persons transferred from Austria in accordance with paragraph 1 above.](⁽¹⁾)

(1) Soviet proposal.

[Austria undertakes to cooperate with the Control Council for Germany in carrying out such plans as may be formulated by it with a view to completing the transfer of *Reichsdeutsche* and *Volksdeutsche* remaining in her territory and due for removal to Germany under existing inter-Allied agreements (including those made by the Control Council for Germany); with the exception of such persons as come within the categories approved for exemption by the Allied Commission for Austria](⁽²⁾)

(2) U.S. and U.K. proposal, with which French Delegation agrees.

ARTICLE 16 BIS ⁵*Transfer of Persons of German Origin*
(*Reichsdeutsche and Volksdeutsche*)

1. Austria undertakes to complete, within the period determined by the Control Council for Germany, the transfer from Austria of German nationals (*Reichsdeutsche*) who are subject to transfer to Germany in accordance with existing inter-Allied agreements, including decisions of the Control Council for Germany.

2. Austria also undertakes to co-operate in carrying out the plans made or to be made by the Control Council for Germany for the transfer to Germany of *Volksdeutsche* whose transfer is provided for by existing inter-Allied agreements, including decisions of the Control Council for Germany.

3. The provisions of this Article shall not apply to persons who fall within the categories of exemption approved by the Allied Commission for Austria.

Note: In this connection the Soviet Delegation draws the attention of the Council of Foreign Ministers to the need for issuing appropriate

⁵ The redraft of Article 16 bis was prepared by the Deputies for Austria and approved by the Council of Foreign Ministers at its 39th Meeting, April 21, 1947. The note that follows the text of the article was not intended to be included in the treaty text. [Footnote supplied by the editor.]

instructions to the Control Council for Germany to provide for the resettlement in Germany of the persons to be transferred from Austria in accordance with this paragraph.

PART II. MILITARY AND AIR CLAUSES

SECTION I

ARTICLE 17

Limitation of Austrian Armed Forces

1. The maintenance of land and air armaments and fortifications shall be closely restricted to meeting tasks of an internal character and local defence of frontiers. In accordance with the foregoing Austria is authorised to have armed forces consisting of not more than:—

(a) A land army, including frontier guards, anti-aircraft troops, gendarmerie and river gendarmerie with a total strength of 53,000.

(b) An air force of 90 aircraft including reserves, of which not more than 70 may be combat types of aircraft, with a total personnel strength of 5,000. Austria shall not possess aircraft designed primarily as bombers with internal bomb carrying facilities.

(c) These strengths shall in each case include combat, service and overhead personnel.

2. *Austria undertakes not to re-establish any military installations or fortifications which were destroyed in accordance with the instructions of the Allied Commission for Austria.**

2. 3. The number and size of aerodromes should correspond strictly to the tasks of the Austrian air force and to the requirements of civil aviation.

[2. 4. The Austrian armed forces, enumerated in paragraph 1 above, will be armed with weapons and technical equipment of national manufacture.](¹)

(¹) Soviet proposal.

ARTICLE 18

Prohibition of Service in the Austrian Armed Forces of Former Members of Nazi and Other Organisations

The following shall in no case be permitted to serve in the Austrian Armed Forces listed in Article 17 of the present treaty:—

1. Persons not of Austrian nationality.

2. Austrian nationals who had been German nationals at any time before March 13, 1938.

* This new paragraph, adopted by the Council of Foreign Ministers at its 37th Meeting, April 20, had previously been adopted by the Council at its 32nd Meeting, April 17, as the revised text for Article 24. [Footnote supplied by the editor.]

3. Austrian nationals who served in the rank of Colonel or in any higher rank in the German Armed Forces during the period from March 13, 1938, to May 8, 1945.

4. Austrian nationals within any of the categories defined below with the exception of such persons as shall have been exonerated by the appropriate body in accordance with Austrian law: any persons who at any time belonged to:

(a) The National Socialist Party ("N.S.D.A.P."), the "S.S.," "S.A." and "S.D." organisations, and the Secret State Police ("Gestapo"),

(b) The National Socialist ("N.S.") Soldiers' Association or the National Socialist ("N.S.") Officers' Association, or were

(c) Leaders in the National Socialist Flyers Corps ("N.S.F.K.") or the National Socialist Motor Corps ("N.S.K.K."), of rank not lower than "Untersturmführer" or its equivalent or functionaries in any Formations, Organisations or other affiliated Associations of rank not lower than that equivalent to "Ortsgruppenleiter",

(d) Authors of printed works of any kind or of scenarios placed by the competent commissions set up by the Austrian Government in the category of prohibited works because of their Nazi character, or were

(e) Leaders of industrial commercial and financial undertakings who, according to the official and authenticated reports of existing industrial, commercial and financial associations, trade unions and party organisations, are found by the competent commission to have co-operated actively in the achievement of the aims of the N.S.D.A.P. and affiliated organisations, supported the principles of National Socialism, spread propaganda for them or financed National Socialist organisations or their activities and thereby damaged the interests of an independent and democratic Austria.

Any person who has been accepted as a member of the N.S.D.A.P. ("Parteimitglied") or who has been accepted as a party candidate and has acquired the provisional right to wear the party badge shall be deemed to belong to the N.S.D.A.P.

ARTICLE 19

Prohibition of Military Training

Personnel not included in the Austrian land army or air force shall not receive any form of military training, or military air training, as defined in Annex I.

ARTICLE 20

Publication of Military Budget and Strength of the Armed Forces

[At the beginning of each budgetary year, Austria shall publish the budgetary expenditure for military purposes as well as the strength of her armed forces, during the current year.](¹)

(1) French and Soviet proposal.

SECTION II

ARTICLE 21

Prohibition of Special Weapons

Austria shall not possess, construct or experiment with—(i) Any atomic weapon, ~~or~~ (ii) any other major weapon adaptable now or in the future to mass destruction and defined as such by the appropriate organ of the United Nations, ~~(iii)~~ (iii) any self-propelled or guided missile or apparatus connected with their discharge or control, ~~(iii)~~ (iv) sea mines, ~~(iv)~~ (v) torpedoes capable of being manned, ~~(v)~~ (vi) submarines or other submersible craft, ~~(vi)~~ (vii) motor torpedo boats, ~~(vii)~~ (viii) specialised types of assault craft, ~~(viii)~~ (ix) guns with a range of more than 30 kilometres, ~~(ix)~~ (x) asphyxiating, vesicant or poisonous materials or biological substances in quantities greater than, or of types other than are required for legitimate civil purposes, or any apparatus designed to produce, project or spread such materials or substances for war purposes.

The Allied and Associated Powers reserve the right to add to this Article prohibitions ~~on~~ of any weapons which may be evolved as a result of scientific development.

ARTICLE 22

See Annex III (to Article 27)

ARTICLE 23

See Annex IV (to Article 27)

ARTICLE 24

Restrictions on Construction of New Fortifications

[Austria shall not build along her State frontier any new permanent fortifications or military installations, consisting of concrete pillboxes of any type, protected accommodation for personnel, observation points or any other constructions in which any type of guns or machine-guns could be placed, and shall not Austria undertakes not to re-establish any military installations or fortifications which were destroyed in accordance with the instructions of the Allied Commission for Austria.]⁽¹⁾ 7

(1) Soviet proposal, which the United States and United Kingdom Delegations oppose.

ARTICLE 25

Prohibition of Excess War Material

Austria shall not retain, produce, or otherwise acquire, or maintain facilities for the manufacture of, war material in excess of that

⁷ At its 37th Meeting, April 20, the Council of Foreign Ministers agreed to include this revised text as a part of Article 17. [Footnote supplied by the editor.]

required for the maintenance of the armed forces permitted under Article 17 of the present Treaty.

ARTICLE 26

Disposal of War Material of Allied and German Origin

1. All war material of Allied origin in Austria shall be placed at the disposal of the Allied and Associated Power concerned according to the instructions given by that Power.

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 material of German or other non-Allied origin; in so far as they relate to modern war material, all German and Japanese drawings, including existing blueprints, prototypes, experimental models and plans and all war materials prohibited by Article 21 of the present Treaty;

all specialised installations, including research and production equipment, prohibited by Article 21 [and 27]⁽¹⁾ which are not

⁽¹⁾ French proposal, with which the Soviet Delegation agrees. The U.S. and U.K. Delegations oppose this proposal.

convertible for authorised 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.

2. 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 France with a list of the war material and installations enumerated in paragraph 1.

3. Austria shall renounce all rights to the above-mentioned war material.

[4. Austria shall not manufacture, acquire or possess, either publicly or privately, or by any other means, any war material of German or non-Austrian origin or design.

This does not forbid the use of such restricted quantities of war materials of German or other non-Allied origin or design remaining in Austria after the Second World War as may be required for the creation of the Armed Forces authorized by Article 17 of the present Treaty]⁽²⁾

⁽²⁾ Soviet proposal.

[Austria shall not manufacture any war material of German design]⁽³⁾

⁽³⁾ U.S. proposal, with which the French and U.K. Delegations agree.

5. A definition and list of war material for the purposes of the present Treaty are contained in Annex II.

ARTICLE 27

Prevention of German Rearmament

1. Austria shall cooperate 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] ⁽¹⁾.

⁽¹⁾ French proposal with which the Soviet Delegation agrees. The U.S. and U.K. Delegations oppose the inclusion of this paragraph and its annexes. However, the U.K. Delegation made the following reservation, that in the event of Ministers deciding to include limitations of this nature in the Treaty the U.K. Delegation could, subject to the imposition of a specific time limit on the restrictions, accept the following paragraphs:—

Annex III, paras. I (b), II, III.

Annex IV, paras. I, III (a), (c), and (e), and could, subject to modifications, accept the following paragraphs of these Annexes:—

Annex III, para. I (c).

Annex IV, paras. II (a) and (d).

Annex V.

3. Austria shall not employ or train in military or civil aviation or in the experimentation, design, production or maintenance of war material:—

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] ⁽²⁾

⁽²⁾ French proposal, with which the Soviet and U.S. Delegations agree.

[or persons who are not Austrian nationals] ⁽³⁾

⁽³⁾ Soviet proposal, which the French, U.K. and U.S. Delegations oppose.

ARTICLE 28

Prohibition of German and Japanese Civil Aircraft

Austria shall not acquire or manufacture civil aircraft which are of German or Japanese design or which embody major assemblies of German or Japanese manufacture or design.

~~ARTICLE 29~~

See Annex V [Article 27]

ARTICLE 30

Duration of Limitations

Each of the military and air clauses of the present Treaty shall remain in force until modified in whole or in part by agreement between the Allied and Associated Powers and Austria or after Austria becomes a member of the United Nations by agreement between the Security Council and Austria.

SECTION IV

ARTICLE 31

Prisoners of War

1. Austrians who are now prisoners of war shall be repatriated as soon as possible in accordance with arrangements to be agreed upon by the individual Powers detaining them and Austria.

2. All costs, including maintenance costs, incurred in moving Austrians who are now prisoners of war from their respective assembly points, as chosen by the Government of the Allied or Associated Power concerned, to the point of their entry into Austrian territory, shall be borne by the Austrian Government.

ARTICLE 32

Commission of Military Experts

[1. A Commission of Military Experts, charged with controlling the execution of the military clauses, shall be appointed under the authority of the diplomatic representatives of the Soviet Union, the United States of America, the United Kingdom and France, in Vienna.

2. This Commission shall effect, throughout Austrian territory, such inspections, investigations and researches as will be necessary to carry out its mission, and the Austrian Government shall afford the Commission all the information and assistance which it may require in the fulfillment of its tasks.

3. Any dispute concerning the interpretation of execution of the military clauses of the present Treaty shall be referred to the diplomatic representatives acting under Article 56, whose competency shall be extended in respect of the execution of these clauses, beyond the period of 18 months.

4. The activity of the Control Commission shall cease after a decision of the four Governments has established that the military clauses of the present Treaty have been executed.] (1)

(1) French proposal, which the U.S., U.K. and Soviet Delegations oppose.

ARTICLE 33

*Withdrawal of Allied Forces*⁸

1. The Agreement on the Machinery of Control in Austria of July 26, 1946, shall terminate on the coming into force of the present treaty.

⁸ No text for this article was included in CFM (47) (M) 82. A text was subsequently prepared by the Deputies for Austria and was adopted by the Council of Foreign Ministers at its 39th Meeting, April 21, 1947. [Footnote supplied by the editor.]

2. On the coming into force of the present treaty, the Inter-Allied Government Authority (Kommandatura) existing under paragraph 4 of the Agreement on Zones of Occupation in Austria and the Administration of the City of Vienna of July 9, 1945, shall cease to exercise any functions with respect to the administration of the City of Vienna. The Agreement on Zones of Occupation in Austria shall terminate upon the completion of the withdrawal from Austria of the forces of the Allied and Associated Powers and in any case at the expiration of ninety days from the coming into force of the present treaty.

3. The Forces of the Allied and Associated Powers and members of the Allied Commission for Austria shall be withdrawn from Austria as soon as possible and in any case within ninety days from the coming into force of the present treaty.

4. The Government of Austria shall accord to the forces of the Allied and Associated Powers and the members of the Allied Commission for Austria pending their withdrawal from Austria the same rights, immunities and facilities as they enjoyed before the coming into force of the present treaty.

5. The Allied and Associated Powers undertake to return to the Government of Austria within the specified period of ninety days:

a. All currency which was made available free of cost to the Allied and Associated Powers for the purpose of the occupation and remains unexpended at the time of the completion of withdrawal;

b. All Austrian property requisitioned by Allied forces or the Allied Commission and which is still in their possession.⁽¹⁾ The

⁽¹⁾ The Soviet Delegation, while accepting paragraph 5 (a), reserves its position on paragraph 5 (b) until agreement is reached on Article 35.

obligations under these subparagraphs will be applied without prejudice to the provisions of Article 35 of the present treaty.

PART IV. CLAIMS ARISING OUT OF THE WAR

SECTION I

ARTICLE 34

Reparations

[The Allied and Associated Powers declare that they will advance no claims for reparation from Austria on their own behalf or on behalf of their nationals arising directly out of the war or out of actions taken because of the existence of a state of war in Europe after Sep-

tember 1, 1939, whether or not the Allied or Associated Power was at war with Germany at the time.]⁽¹⁾

⁽¹⁾ U.K. and U.S. proposal. Soviet delegation suggests to consider the proposal of the Yugoslav delegation, set out in documents CFM(D) (47) (A)10 and 75 of January 21 and February 17, 1947, relating to its reparation claims against Austria. French Delegation agrees in principle with the U.K. and U.S. proposal, provided that Ministers accept the principle involved, but reserve the right to make minor drafting changes.

ARTICLE 35⁹

German Assets in Austria

[1. Austria recognizes the validity of the decision of the Berlin Conference of August 2, 1945, regarding German external assets and the right of the Soviet Union, the United Kingdom, the United States and France to dispose of all German assets in Austria as German reparations. Austria undertakes to take all necessary measures to facilitate the transfer of such assets (in accordance with the terms of this Article and the provisions of Annex VII)⁽²⁾]⁽¹⁾

⁽¹⁾ United Kingdom, United States and French proposal.

⁽²⁾ The French Delegation does not consider the inclusion of the words in brackets [*parenthesis?*] necessary.

[Austria recognizes that the Soviet Union, the United Kingdom, the United States and France have the right to all German assets in Austria transferred to the said States in their respective Zones in Austria under the decision of the Berlin Conference of the Heads of the three Governments of August 2, 1945, and undertakes to take all necessary measures to facilitate the transfer of such assets.]⁽³⁾

⁽³⁾ Soviet alternative proposal.

⁹ At the 33rd Meeting of the Council of Foreign Ministers, April 18, 1947, Secretary Marshall presented a new proposal for this article. Circulated to the Council as document CFM(47) (M)141, April 18, this proposal read as follows:

"1. Austria recognizes that the United States, United Kingdom, Soviet Union, and France have the right to dispose of all German assets in Austria according to the provisions of the Berlin Protocol of August 2, 1945, on German reparations. Austria shall take all measures necessary to facilitate the transfer to the four Powers of all properties in Austria which are German assets.

"2. German assets are defined as property, rights and interests beneficially owned on May 8, 1945, by the German Government or German Nationals which were:

(a) Owned by the German Government or German Nationals on March 12, 1938;

(b) Acquired after March 12, 1938, by the German Government or by persons who on March 12, 1938, were German Nationals, if such assets were acquired without force or duress.

"3. All assets so transferred shall be subject to the provisions of Austrian law, except that no such assets shall be subject to nationalization by Austria for a period of _____ from the coming into force of the treaty.

"4. The area of Eastern Austria referred to in the Berlin Protocol is defined as the Soviet Zone of Occupation in Austria and the Soviet Sector in the city of Vienna."

[Footnote supplied by the editor.]

[2. (a) For the purpose of this Article, German assets are defined as all property, rights and interests which were owned by Germany or German nationals on May 8, 1945, provided that such property, rights or interests:

(i) were not acquired by Germany or German nationals either as a result of force or duress whether the transaction was ostensibly legal in form or not, or by the application of Nazi laws imposed on Austria since March 12, 1938,

(ii) were neither Austrian State property, rights or interests which passed to Germany as a result of the annexation of Austria by Germany, nor state property which became such after March 12, 1938, and which was and continues to be used for the purpose of normal governmental administration;

(iii) do not constitute an interest which any of the United Nations or their nationals or other non-Germans have in any such property, rights or interests, either in their own right or through corporations;

(iv) [shall not include creditor claims of Germany or German nationals arising out of contracts and other obligations entered into, and rights acquired, since March 12, 1938.]⁽⁴⁾

(⁴) The United States Delegation reserves its position on this sub-paragraph.

(b) If the owner of any property, rights or interests acquired by Germany or German nationals in the manner specified in paragraph 2(a) (i) above received any compensation therefor, the Government of Austria shall, as a condition of the return of such property, rights or interests to the owner, require the repayment or return of the compensation effectively received. Such compensation shall constitute a German asset for the purpose of this Article.

(c) As used in this Article German nationals means

(i) individuals having German nationality on May 8, 1945, other than those who acquired such nationality as a result of the incorporation after March 12, 1938, of any territory into the German Reich; or those who were permitted to reside freely in the territory of any of the Allied or Associated Powers during the period when that Power was at war with Germany before May 8, 1945.

(ii) corporations having *siège social* within the boundaries of Germany as they were on March 12, 1938.]⁽⁵⁾

(⁵) United Kingdom and United States proposal.

[2. All German assets in Austria shall become the property of the Four Powers, namely:

(a) those which were German prior to March 13, 1938;

(b) those transferred to Germany, German nationals or societies after March 12, 1938, on the basis of sale and pur-

chase from either Austrian owners or from firms or nationals of the States which were former Allies of Germany, and also from neutral States, the United Nations and their nationals, except where transfer of the property was effected as a result of direct forcible action;

(c) any right acquired by German firms or private persons after March 12, 1938 for the development of natural resources of the country, and all enterprises which emerged or were developed after this period on the basis of German investments, State, communal and other property, belonging to the Austrian State or Austrian nationals, transferred to Germany or German nationals, without any compensation by way of merging State, credit and other institutions or by way of Aryanisation, shall be returned to the owners who owned it before the *Anschluss*. Voluntary transfer and increase of capital as a result of German investments will, in this case, form an exception.](⁽⁶⁾)

(⁽⁶⁾) Alternative Soviet proposal.

[2. (a) For the purpose of this Article, German assets in Austria shall include all property, rights and interests belonging, on May 8, 1945, to Germany or to German nationals, and which :

(i) belonged to Germany or to German nationals on March 13, 1938;

(ii) were transferred to Germany or to German nationals after March 31, 1938, provided that such transfers were not effected by force or duress or by way of Aryanisation, and that they are not subject to invalidation under the provisions of Article 42 of the present Treaty.

(b) The property, rights and interests of the Austrian State transferred to the German State or to German nationals as a result of the annexation of Austria shall not be considered German assets.

(c) For the purpose of this Article, the term "German nationals" means :

(i) individuals having German nationality on May 8, 1945, other than those who acquired such nationality as a result of the incorporation after March 12, 1938, of any territory into the German Reich.

(ii) corporations or associations having *siège social* within the frontiers of Germany as they existed on March 12, 1938, to the extent that the shares of such corporations or associations actually belong to German nationals.](⁽⁷⁾)

(⁽⁷⁾) French alternative proposal.

[3. All former German assets which became property of the States referred to in paragraph 1 shall not be subject to requisition, confiscation or compulsory alienation in general without the consent of the owner State.](⁽⁸⁾)

(⁽⁸⁾) Soviet proposal.

[3. A German asset transferred by way of reparation shall carry with it all rights attaching to such asset and be subject to all claims enforceable against it under Austrian law. Such asset and the enjoyment thereof shall be subject in all respects to Austrian law.](⁹)

(⁹) United Kingdom and United States alternative proposal.

[3. A German asset transferred by way of reparation shall carry with it all rights attaching to such asset and be subject to all claims enforceable against it under Austrian law. Such asset and the enjoyment thereof shall be subject in all respects to Austrian law.

However, Austria undertakes not to requisition or nationalize such assets and not to order their forced alienation in any form during a period of 18 months from the coming into force of the present Treaty and, after that period, without full and adequate compensation, the amount and nature of which shall be fixed by agreement between the interested Allied or Associated Power and Austria or, if such agreement is not reached, by an arbitrator designated and acting in conformity with the provisions of Article 50 of the present Treaty.](¹⁰)

(¹⁰) French alternative proposal.

[4. Disputes which may arise out of the implementation of the provisions of this Article shall be settled on the basis of bilateral negotiations between the parties concerned].(¹¹)

(¹¹) Soviet proposal.

The United Kingdom Delegation would prefer a method of settling disputes similar to that provided in Section 3 of the Annex to CFM(D) (47) (A) 60, but failing agreement on this, would accept settlement of Article 57.

The French Delegation considers that disputes arising in connection with the implementation of this article shall be settled under the provisions of Article 57, except as otherwise provided in paragraph 3.

The United States Delegation opposes this provision. It considers the inclusion of special provisions relating to the settlement of dispute arising under this Article as unnecessary, since the procedure agreed on in Article 57 is suitable and adequate.

SECTION II

ARTICLE 36

Restitution by Austria

1. Austria accepts the principles of the United Nations Declaration of January 5, 1943, and shall return, in the shortest possible time, property removed from the territory of any of the United Nations.

2. The obligation to make restitution applies to all identifiable property at present in Austria which was removed by force or duress by any of the Axis Powers from the territory of any of the United Nations, irrespective of any subsequent transactions by which the present holder of any such property has secured possession.

3. The Austrian Government shall return the property referred to in this article {in good order ⁽¹⁾} and, in this connexion, shall bear all costs in Austria relating to labour, materials and transport.

~~(1) The United States Delegation proposes to delete these words.~~

4. The Austrian Government shall co-operate with the United Nations in, and shall provide at its own expense all necessary facilities for, the search for and restitution of property liable to restitution under this article.

5. The Austrian Government shall take the necessary measures to effect the return of property covered by this Article held in any third country by persons subject to Austrian jurisdiction.

6. Claims for the restitution of property shall be presented to the Austrian Government by the Government of any country from whose territory the property was removed {it being understood that rolling stock shall be regarded as having been removed from the territory to which it originally belonged ⁽²⁾}. The period during which such

~~(2) The United Kingdom and United States propose to delete these words, and to deal with the question of rolling stock in a separate Article, the proposed text of which is to be found in Article 36 bis.~~

claims may be presented shall be nine months from the coming into force of the present Treaty.

7. The burden of identifying the property and of proving ownership shall rest on the claimant Government and the burden of proving the property was not removed by force or duress shall rest on the Austrian Government.

8. {The Government entitled to restitution and the Austrian Government may conclude agreements which will replace the provisions of the present Article} ⁽³⁾. *This bilateral procedure will apply*

~~(3) The United States Delegation cannot accept this provision.~~

particularly to the restitution of rolling stock, in regard to which the Allied and Associated Powers recognize that restitution should be arranged so as to effect a minimum dislocation to Austria's essential transport requirements.

9. [If, in particular cases, it is impossible for Austria to make restitution of objects of artistic, historical or archaeological value, belonging to the cultural heritage of the United Nations from whose territory such objects were removed to Austria by force or duress by German forces, authorities or nationals, Austria shall transfer to the United Nations concerned objects of the same kind as, and of approximately equivalent value to, the objects removed, in so far as such objects are obtainable in Austria.] ⁽⁴⁾

(4) Soviet proposal.

ARTICLE 36 BIS

Rolling-stock

1. The Austrian Government shall make restitution of all Allied rolling-stock. Claims for such restitution shall be presented to the Austrian Government by the Government of the territory to which it originally belonged.

2. The obligation to effect restitution of Allied rolling-stock shall be unconditional on Austria. Nevertheless, the Allied Governments declare that they are prepared to enter into agreements with Austria with a view to effecting the restitution of rolling-stock with the minimum dislocation to Austria's essential transport requirements.

3. The Austrian Government shall be responsible for putting all repairable rolling-stock into a sufficient state of repair to be returned to its owners, and in this connexion shall bear all costs in Austria relating to labour, materials and transport.

4. The Allied and Associated Powers undertake to return to Austria All Austrian rolling-stock in their territories.-(¹)

5. All rolling-stock identifiable as having been of Austrian ownership on 12 March, 1938, and any rolling-stock constructed in Austria since 8 May, 1945, shall be recognised to be of Austrian ownership and shall be restored to Austria. The Austrian Government shall be entitled to regard as Austrian all German rolling-stock situated in Austria on the following dates:—

- | | |
|--------------------|------------------------------------|
| (a) locomotives | : August 6, 1946 |
| (b) Wagons | : August 20, 1946 |
| (c) Coaching stock | : August 13, 1946}(²) |

(¹) U.K. and U.S. proposal. Soviet and French Delegations do not consider that the inclusion of paragraphs 1-3 in the Treaty is necessary, and are strongly opposed to paragraph 4.

(²) U.K. proposal. The U.K. Delegation attaches great importance to the inclusion of a provision covering Austria's essential rolling-stock needs.

The French and U.S. Delegations cannot accept this draft, but are willing to consider the inclusion of a provision in the Treaty dealing with Austrian rolling-stock needs.

The Soviet Delegation opposes the inclusion of this provision in the Treaty as contradicting the Berlin decisions on German external assets.

ARTICLE 37

Restitution to Austria of Property removed to United Nations Territory by Axis Forces

[The Allied and Associated Powers will extend to Austria the same treatment they extend to United Nations with respect to the return of identifiable property removed from Austria after March 12, 1938 by force or duress exerted by Axis Government or their agencies.-(¹)

(¹) United States proposal, to which the U.K. and French Delegation do not object.

The Soviet Delegation sees no reason for the inclusion of this Article.

ARTICLE 38

Austrian Property in Germany and Renunciation of Claims by Austria on Germany

1. From the date of the coming into force of the present Treaty the property in Germany of the Austrian Government or of Austrian nationals, [including property formerly belonging to them and of which they have been deprived by acts of force or duress by Germany or by German nationals]⁽¹⁾, shall be returned to its owners. This

⁽¹⁾ The Soviet Delegation is opposed to the inclusion of the words in brackets. provision shall not apply to the property of war criminals or persons who have been subjected to the penalties of denazification measures; such property shall be placed at the disposal of the Austrian Government if it has not been subjected to blocking or confiscation in accordance with the laws or ordinances in force in Germany after May 8, 1945.

[2. Identifiable property of Austria and of Austrian nationals removed by force or duress from Austrian territory to Germany by German forces or authorities after March 12, 1938, shall be eligible for restitution.]⁽²⁾

⁽²⁾ Proposal of French, U.S. and U.K. Delegations. Soviet Delegation does not consider the inclusion of this paragraph necessary.

~~[3. The restoration and restitution of Austrian property in Germany shall be effected in accordance with measures determined by the Powers in occupation of Germany for the restitution and restoration of United Nations property in Germany.]⁽³⁾~~

~~⁽³⁾ U.K. Proposal.~~

[The restoration and restitution of Austrian property in Germany shall be effected in accordance with measures which will be determined by the Powers in occupation of Germany].⁽⁴⁾

⁽⁴⁾ U.S. and French Proposal.

[The restoration of Austrian property in Germany shall be effected in accordance with measures which will be determined by the Powers in occupation of Germany in their zones of occupation].⁽⁵⁾

⁽⁵⁾ Soviet Proposal.

[4. Without prejudice to these and to any other dispositions in favour of Austria and Austrian nationals by the Powers occupying Germany, Austria waives on its own behalf and on behalf of Austrian nationals all claims against Germany and German nationals outstanding on May 8, 1945, except those arising out of contracts and other obligations entered into, and rights acquired, before March 13, 1938].⁽⁶⁾ [This waiver shall be deemed to include debts, all claims in

⁽⁶⁾ French, Soviet and U.K. Proposal.

respect of transactions effected by Germany during the period of annexation of Austria and all claims in respect of loss or damage suffered during the said period, particularly in respect of the German public debt held by the Austrian Government or its nationals and of currency withdrawn at the time of the monetary conversion. Such currency shall be destroyed upon the coming into force of the present Treaty].⁽⁷⁾

⁽⁷⁾ French Proposal supported by Soviet Delegation.

[This waiver shall be deemed to include debts incurred during the war and all claims for loss or damage arising during the war].⁽⁸⁾

⁽⁸⁾ U.K. Proposal, alternative to the previous sentence.

[Without prejudice to these and to any other dispositions in favour of Austria and Austrian nationals by the Powers occupying Germany, Austria waives on its own behalf and on behalf of Austrian nationals all claims against the former German government and its agencies and all German enterprises engaged in the manufacture of arms and implements of war as defined in Annex II of the present Treaty, arising after September 1, 1939 and outstanding on May 8, 1945, except those arising out of contracts and other obligations entered into, and rights acquired, before September 1, 1939. This renunciation shall be deemed to include debts and all claims for loss or damage arising during the war].⁽⁹⁾

⁽⁹⁾ U.S. Proposal for paragraph 4.

SECTION III

ARTICLE 39

Renunciation by Austria of Claims Against the Allies

1. Austria waives all claims of any description against the Allied and Associated Powers on behalf of the Austrian Government or Austrian nationals arising directly out of the war in Europe after September 1, 1939 or out of actions taken because of the existence of a state of war in Europe after that date whether or not the Allied or Associated Power was at war with Germany at the time. This renunciation of claims includes the following:

- a) Claims for losses or damages sustained as a consequence of acts of forces or authorities of Allied or Associated Powers;
- b) Claims arising from the presence, operations or actions of forces or authorities of Allied or Associated Powers in Austrian territory;
- c) Claims with respect to the decrees or orders of Prize Courts of Allied or Associated Powers, Austria agreeing to accept as valid and binding all decrees and orders of such Prize Courts on or after September 1, 1939, concerning ships or goods belonging to Austrian nationals or concerning the payment of costs;

d) Claims arising out of the exercise or purported exercise of belligerent rights;

~~{e) Claims arising out of the acquisition of scientific, industrial or technological information between September 1, 1939, and the date of entry into force of the present Treaty and claims arising out of any disclosure or use of the information so acquired.}~~ (1)

(1) U.S. proposal: Soviet, French and U.K. Delegations did not consider that the inclusion of this subparagraph was necessary.

2. The provisions of this Article shall bar, completely and finally, all claims of the nature referred to herein, which shall henceforward be extinguished, whoever may be the parties in interest. The Austrian Government agrees to make equitable compensation in schillings to persons who furnished supplies or services on requisition to the forces of Allied or Associated Powers in Austrian territory and in satisfaction of non-combat damage claims against the forces of the Allied or Associated Powers arising in Austrian territory.

3. Austria likewise waives all claims of the nature covered by paragraph 1 of this Article on behalf of the Austrian Government or Austrian nationals against any of the United Nations whose diplomatic relations with Germany were broken off between September 1, 1939 and January 1, 1945 and which took action in cooperation with the Allied and Associated Powers.

4. ~~{The Austrian Government shall assume full responsibility for Allied military currency of denominations of five schillings and under issued in Austria by the Allied military authorities, including all such currency in circulation at the coming into force of the present Treaty.}~~(2)

(2) U.K. proposal: Supported by the U.S. Delegation.

Notes issued by the Allied Military Authorities of denominations higher than five schillings shall be destroyed and no claims may be made in this connection against any of the Allied and Associated Powers.

~~{The Austrian Government shall assume full responsibility for all Allied military currency issued in Austria by the Allied military authorities, including all such currency in circulation at the coming into force of the present Treaty.}~~ (3)

(3) French proposal: Supported by the Soviet Delegation.

5. The waiver of claims by Austria under paragraph 1 of this Article includes any claims arising out of actions taken by any of the Allied and Associated Powers with respect to ships belonging to Austrian nationals between September 1, 1939, and the coming into force of the present Treaty as well as any claims and debts arising out of the Conventions on prisoners of war now in force.

6. [The provisions of this Article shall not be regarded as waiving

any claim Austria or its nationals may have to property under Article 35.]⁽⁴⁾

(4) U.S. proposal. Opposed by U.K., Soviet and French Delegations.

ARTICLE 40

This article was combined with Article 38.

ARTICLE 41

German Claims Against Austria

[The Allied and Associated Powers undertake to support the inclusion in the German Peace Treaty of a waiver by Germany of all economic and financial claims against Austria or Austrian nationals outstanding on May 8, 1945 or arising out of the reestablishment of Austrian independence and of such waiver as may be appropriate of claims of German nationals against Austria or Austrian nationals].⁽¹⁾

⁽¹⁾ US and UK proposal supported by the French Delegation. Soviet Delegation considers it premature to discuss this question.

ARTICLE 42

United Nations Property in Austria

[1. Insofar 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 September 1, 1939, and shall return all property in Austria of the United Nations and their nationals as it now exists.

Austria undertakes that in all cases where the property, rights or interests in Austria of United Nations nationals have been alienated or otherwise prejudiced as a result of the annexation of Austria by Germany and of German economic penetration in Austria after March 12, 1938, all transfers, acts of alienation or prejudice relating to the said property, rights or interests shall be nullified. The burden of proving ownership of the said property, rights and interests, on March 12, 1938, shall rest on the United Nations or their nationals and the burden of proving that they have not been alienated as a result of the annexation of Austria by Germany and of German economic penetration in Austria shall rest on the Austrian Government.

The foregoing provisions shall apply equally to the property, rights and interests of United Nations and their nationals, whether these are held directly or indirectly.]⁽¹⁾

⁽¹⁾ French and U.K. proposal. The Soviet Delegation agrees to accept only the first paragraph of this proposal, provided the words "on September 1, 1939", be amended to read "on the day hostilities started between Germany and the United Nation concerned".

[1. Insofar as such action has not already been taken, Austria shall restore all legal rights and interests in Austria of the United Nations

and their nationals as they existed on March 13, 1938, unless these have been voluntarily transferred, and shall return all property in Austria of the United Nations and their nationals as it now exists.](²)

(²) U.S. proposal.

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, [including seizures, sequestration or control](³) [of seizures,

(³) U.K., French and U.S. proposal.

sequestration or control](⁴) taken against United Nations property

(⁴) Soviet proposal.

between [March 13, 1938](⁵) [the day of commencement of hostilities

(⁵) U.K., French and U.S. proposal.

between Germany and the United Nation concerned](⁶) and the

(⁶) Soviet proposal.

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 [or duress](⁷) exerted by Axis Governments or their agencies between

(⁷) The Soviet Delegation objects to the inclusion of these words.

[March 13, 1938](⁸) [the beginning of hostilities between Germany

(⁸) U.K., U.S. and French proposal.

and the United Nation concerned](⁹) and May 8, 1945.

(⁹) Soviet proposal.

[4. (a) The Austrian Government shall be responsible for the restoration to complete good order of the property returned to United Nations nationals under paragraph 1 of this Article. In cases where property cannot be returned or where, as a result of the war, a United Nations national has suffered a loss by reason of injury or damage to property in Austria, he shall receive from the Austrian Government compensation in Schillings to the extent of two-thirds of the sum necessary, at the date of payment, to purchase similar property or to

make good the loss suffered. In no event shall United Nations nationals receive less favourable treatment with respect to compensation than that accorded to Austrian nationals.

(b) 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 this Article, but which have suffered a loss by reason of injury or damage to property in Austria, shall receive compensation in accordance with sub-paragraph (a) above. This compensation shall be calculated on the basis of the total loss or damage suffered by the corporation or association and shall bear the same proportion to such loss or damage as the beneficial interests of such nationals in the corporation or association bear to the capital thereof.

(c) Compensation shall be paid free of any levies, taxes or other charges. It shall be freely usable in Austria but shall be subject to the foreign exchange control regulations which may be in force in Austria from time to time.](¹⁰)

(¹⁰) French proposal.

[4. 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 favourable 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 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.](¹¹)

(¹¹) Alternative U.S. and Soviet proposal for (a), (b) and (c).

[4. The Austrian Government undertakes to enter into agreements with each of the United Nations concerned in regard to the property in Austria, dealt with in this Article, of their nationals which cannot be returned or which has suffered injury or damage as a result of the war with Germany. These agreements shall be concluded in the shortest possible time and Austria undertakes therein to give to the nationals of each of the United Nations concerned treatment no less favourable than is, or has been, granted in the territory of that United Nation to Austrian property, and, in no event, less favourable treatment than that accorded by the Austrian Government to Austrian nationals.

Nothing in the foregoing shall require Austria to make payments in foreign currencies in respect of loss, injury or damage to property.]⁽¹²⁾

⁽¹²⁾ Alternative U.K. proposal for (a), (b) and (c).

4. (d) 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 ~~including property covered by Article 35~~⁽¹³⁾ and in the allocation of foreign exchange for the importation of such materials as applies to Austrian nationals.

~~⁽¹³⁾ Addition by Soviet Delegation: U.K., U.S. and French Delegations do not consider these words necessary.~~

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 ~~and other charges~~⁽¹⁴⁾ 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 [or exacted]⁽¹⁴⁾ shall be refunded. [The Austrian Government shall exempt the property of United Nations nationals from any exceptional taxes, levies, imposts and other charges that it may institute in the future to cover costs of a similar nature. The provisions of this Article shall also apply to property covered by Article 35.]⁽¹⁴⁾

~~⁽¹⁴⁾ Additions by Soviet Delegation, which U.S. and U.K. Delegations oppose.~~

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.]⁽¹⁵⁾

~~⁽¹⁵⁾ Addition by U.S. and U.K. Delegations which the Soviet and French Delegations consider unnecessary.~~

[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.](¹⁶)

(¹⁶) Addition by the French Delegation opposed by the U.S. Delegation.

(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 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.](¹⁷)

(¹⁷) Soviet proposal opposed by the U.S. and U.K. Delegations.

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 May 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 43

Application of Austrian Law to United Nations Property, Rights and Interests in Austria

[Subject to any other provisions in the present Treaty affecting the treatment of property in Austria, all property, rights and interests in Austria of the United Nations and their nationals, equally with Austrian-owned property, shall receive the full protection of Austrian law and be subject to the provisions of Austrian law.](¹)

(¹) French, United States and United Kingdom proposal. The Soviet Delegation see no reason for the inclusion of this Article.

ARTICLE 44

Property, Rights and Interests of Minority Groups in Austria

1. Insofar as such action has not already been taken, Austria undertakes that, in all cases where property, legal rights or interests in Austria have since March 13, 1938, been the subject of [measures of sequestration, confiscation or control](¹) [transfer under duress, acts

(¹) Soviet proposal, which the French Delegation is prepared to accept.

of confiscation, dispossession or spoliation] ⁽²⁾ on account of the racial

⁽²⁾ U.S. and U.K. proposal, which the French Delegation is prepared to accept. origin or religion of the owner, the said property shall be returned and the said legal rights and interests shall be restored together with their accessories. Where return or restoration is impossible, compensation shall be granted for losses incurred by reason of such measures to the same extent as is, or may be, given to Austrian nationals generally in respect of war damage.

2. [All property, rights and interests in Austria of persons, organizations or communities which, individually or as members of groups, were the object of racial, religious or other Nazi measures or persecution, and remaining heirless or unclaimed for six months from the coming into force of the present Treaty, shall be transferred by the Austrian Government to organizations in Austria representative of such persons, organizations or communities. The property transferred shall be used by such organizations for the purposes of relief and rehabilitation of surviving members of such groups, organizations and communities in Austria. Such transfer shall be effected within twelve months from the coming into force of the present Treaty and shall include property, rights and interests required to be restored under paragraph 1 of this Article] ⁽³⁾

⁽³⁾ Soviet proposal:

2. [Austria agrees to take under its control all property, legal rights and interests in Austria of persons, organizations or communities which, individually or as members of groups, were the object of racial, religious or other Nazi measures of persecution where, in the case of persons, such property, rights and interests remain heirless or unclaimed for six months after the coming into force of the present Treaty, or where in the case of organizations and communities such organizations or communities have ceased substantially to exist. Austria shall transfer such property, rights and interests to appropriate agencies or organizations to be designated by the four Heads of Missions in Vienna ~~in consultation~~ *by agreement* with the Austrian Government to be used for the relief and rehabilitation of victims of persecution by the Axis Powers, it being understood that these provisions do not require Austria to make payments in foreign exchange or other transfers to foreign countries which would constitute a burden on the Austrian economy. Such transfer shall be effected within eighteen months from the coming into force of the present Treaty and shall include property, rights and interests required to be restored under paragraph 1 of this Article] ⁽⁴⁾

⁽⁴⁾ U.S., U.K., and French proposal:

ARTICLE 45

Austrian Property in the territory of the Allied and Associated Powers (1)

(1) Soviet Delegation reserves its position and considers that no final decision can be reached until after the Yugoslav Delegation has been heard.

1. The Allied and Associated Powers declare their intention to return Austrian property, rights and interests as they now exist in their territories or to transfer the proceeds arising out of the liquidation, disposal or realisation of such property, rights or interests (after all lawful claims and charges have been met) where these have been liquidated, disposed of or otherwise realised.

2. The Allied and Associated Powers undertake to make agreements with the Austrian Government, in the shortest possible time, to give effect to this declaration. Each Allied and Associated Power shall, in the agreement which it makes with Austria, accord to Austria and Austrian nationals treatment similar to that which it accords to United Nations and United Nations nationals in similar circumstances, including any provisions for the payment of compensation for war loss and damage to property. (2)

(2) U.K. proposal.

1. Each of the United Nations signatory to the present Treaty agrees to return to the Austrian Government and to its nationals all property, rights and interests which are within its territory and belong to Austria or to Austrian nationals and which have not been the subject of measures of liquidation or disposal by the said United Nation prior to the coming into force of the present Treaty. It also agrees, in cases where the property has been the subject of measures of liquidation or disposal, to return to the Austrian Government and to its nationals the net proceeds of such property after deducting taxes and charges of all kinds. The Governments of the United Nations signatory to the present Treaty shall use their influence to induce other Powers to adopt similar measures.

2. The United Nations signatory to the present Treaty and entitled to German reparations renounce, in respect of Austrian property, the right to avail themselves of the provisions relating to the allocation or liquidation for their benefit of German assets in neutral or ex-enemy countries.

3. Shall be deemed Austrian property under the present Article, property belonging to the Austrian Government or its nationals on March 13, 1938, on condition that the said nationals have resumed Austrian nationality, and property that has been acquired from them by force or duress by the German Government or by German nationals since March 13, 1938. If property has been transferred after that date to a person who was an Austrian national on March 13, 1938, and who has resumed Austrian nationality, such property shall be

deemed Austrian if the transfer has been legally effected in accordance with the law of the country where the property is located and, in the case of ex-enemy countries, if such transfer is not liable to invalidation under the terms of the peace treaties.-(³)

(²) French proposal:

1. With respect to the return of Austrian property, rights and interests, the Allied and Associated Powers declare that they will accord to Austria and Austrian nationals the same treatment as that accorded to United Nations and United Nations nationals. Subject to the foregoing, each of the Allied or Associated Powers:—

(a) will return all property, rights and interests at present in its territory belonging to Austria or Austrian nationals or which belonged to Austria or Austrian nationals when taken under custodial control which have not, prior to the date of the coming into force of the present treaty, been liquidated or disposed of by it, and

(b) in case such property, rights or interests have been liquidated or disposed of, will return the proceeds thereof as of the date of such liquidation or disposition, subject to such taxes, liens, administrative charges, creditor's claims, and other like charges, ordinarily imposed upon properties of nationals of United Nations.

2. The Allied and Associated Powers will apply the provisions of paragraph 1 to Austrian property outside their territories but which is under their control other than Austrian property in Germany, the return of which is subject to the provisions of Article They will use their good offices to persuade other governments to do likewise.-(⁴)

(⁴) U.S. proposal:

ARTICLE 45¹⁰

Austrian Property in the Territory of the Allied and Associated Powers

1. The Allied and Associated Powers declare their intention to return Austrian property, rights and interests as they now exist in their territories or the proceeds arising out of the liquidation, disposal or realization of such property, rights or interests, subject to accrued taxes, expenses of administration, creditor claims and other like charges, where such property, rights or interests have been liquidated, disposed of or otherwise realized. The Allied and Associated Powers will be prepared to conclude agreements with the Government of Austria for this purpose.

¹⁰ On the basis of a redraft of article 45 prepared by the Deputies for Austria, the Council of Foreign Ministers, at its 39th Meeting, April 21, 1947, worked out the text printed here. Paragraph 1 was adopted by the Council, but a decision on paragraph 2 was deferred. [Footnote supplied by the editor.]

2. Notwithstanding the foregoing provisions, the People's Federal Republic of Yugoslavia shall have the right to seize, retain or liquidate Austrian property, rights and interests which at the coming into force of the present Treaty are within Yugoslav territory and also to apply the proceeds thereof to such purposes as it may desire within the limits of its claims and those of its nationals against Austria or Austrian nationals, including debts, other than claims fully satisfied under other Articles of the present Treaty. The Government of Austria undertakes to compensate Austrian nationals whose property is taken under this paragraph.

Note: US and UK Delegations can accept paragraph 2 only if the US-UK proposal for Article 34 is accepted by all Delegations. Soviet Delegation considers paragraph 2 has no connection whatsoever with Article 34 and should be considered separately.

ARTICLE 46

This Article was combined with Article 38.

ARTICLE 47

This Article has been withdrawn.

ARTICLE 48

Debts ⁽¹⁾

⁽¹⁾ The Soviet Delegation reserves the right to propose an addition to this article.

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 recognise 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.] ⁽²⁾.

⁽²⁾ United Kingdom, United States and French proposal. The Soviet Delegation reserves its position on this paragraph.

2. [The Allied and Associated Powers recognise 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⁾.¹¹

⁽³⁾ United Kingdom, United States and Soviet proposal. The French Delegation is opposed to the inclusion of this paragraph.

¹¹ On April 19, 1947, the French Delegation submitted the following proposal for this paragraph:

"As regards payment of interest and similar charges on Austrian Government securities falling due between March 13, 1938 and May 6, 1945, the Allied and Associated Powers declare their intention to negotiate with Austria Agreements to fix conditions of payment which take into account the financial position of Austria."

[Footnote supplied by the editor.]

3. [All provisions of loan agreements concluded by the Government of Austria before March 12, 1938, insofar as those provisions grant to the creditors security upon the public revenues or the right of control over government finances and over the activities of the credit institutions of Austria shall be considered as terminated from the coming into force of the present Treaty.]⁽⁴⁾

(4) Soviet proposal.

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 13th 1938, insofar as those provisions granted to the creditors a right of control over the government finances of Austria.]⁽⁵⁾

(5) Alternative French proposal, supported by the United States Delegation

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.]⁽¹⁾

(1) Soviet proposal.

[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 delivered under commercial contracts, trade agreements or credit arrangements.]⁽²⁾

(2) United States proposal, supported by the United Kingdom and French Delegations.

PART VI. GENERAL ECONOMIC RELATIONS

ARTICLE 49

1. Pending the conclusion of commercial treaties or agreements between individual United Nations and Austria, the Austrian Government shall, during a period of eighteen months from the coming into force of the present Treaty, grant the following treatment to each of the United Nations which, in fact, reciprocally grants similar treatment in like matters to Austria:—

(a) In all that concerns duties and charges on importation or exportation, the internal taxation of imported goods and all regulations pertaining thereto, the United Nations shall be granted unconditional most-favoured-nation treatment;

(b) In all other respects, Austria shall make no arbitrary discrimination against goods originating in or destined for any territory of any of the United Nations as compared with like goods originating in or destined for territory of any other United Nations or of any other foreign country;

(c) United Nations nationals, including juridical persons, shall be granted national and most-favoured-nation treatment in all matters pertaining to commerce, industry, shipping and other forms of business activity within Austria. These provisions shall not apply to commercial aviation;

(d) Austria shall grant no exclusive or discriminatory rights to any country with regard to the operation of commercial aircraft in international traffic, shall afford all the United Nations equality of opportunity in obtaining international commercial aviation rights in Austrian territory including the right to land for refuelling and repair, and, with regard to the operation of commercial aircraft in international traffic, shall grant on a reciprocal and non-discriminatory basis to all United Nations the right to fly over Austrian territory without landing. These provisions shall not affect the interests of the national defence of Austria.

2. The foregoing undertakings by Austria shall be understood to be subject to the exceptions customarily included in commercial treaties concluded by Austria prior to March 13, 1938; the provisions with respect to reciprocity granted by each of the United Nations shall be understood to be subject to the exceptions customarily included in the commercial treaties concluded by that State.

3. For a period of 18 months after the coming into force of the present Treaty, Austria agrees to take appropriate measures to prevent, in international trade, business practices which restrain competition, limit access to markets, or foster monopolistic controls, and which are employed by or are made effective by a combination, agreement or other arrangement among public or private commercial enterprises. Notwithstanding the foregoing, this undertaking shall not be construed to preclude practices necessary to implement inter-

governmental agreements which are not in violation of the preceding paragraphs of this Article.](¹)

(¹) U.S. proposal: Soviet, French and U.K. Delegations are not in favor of including paragraph 3.

ARTICLE 49 BIS

[Contracts between Austria and Germany]

All contracts concluded between Austria or Austrian nationals and Germany or German nationals which grant to Germany, to German enterprises or to German nationals economic advantages, and in particular those which involve a long term obligation for the delivery of goods or services, or for the determination of prices or of preferential terms of payment, shall be deemed to have been dissolved on May 8, 1945.

Nevertheless, the Austrian Government may, with the approval of the Heads of the Diplomatic Missions at Vienna of the United States, France, the United Kingdom and the Soviet Union, maintain any such contract in force for a period of 18 months from the coming into force of the present Treaty.](¹)

(¹) French proposal which has not been discussed by the Deputies.

ARTICLE 49 BIS ¹²

Contracts between Austria and Germany

The Government of Austria with the agreement of the Heads of the Diplomatic Missions in Vienna of the Soviet Union, of the United Kingdom, of the United States of America and of France, may take action with a view to terminating contractual relations between Austrian nationals and Germany or German nationals existing on May 8, 1945 which created conditions of undue economic dependence by Austria on Germany, or which were harmful to the Austrian economy and involved long-term obligations for the delivery of goods or services or for the determination of prices or of preferential terms of payment.](¹)

[(¹)] The Soviet Delegation reserves its position on this Article until a decision on Article 35 is reached.

PART VII

ARTICLE 50

Settlement of Disputes

1. Any disputes which may arise in giving effect to Articles (on Restitution) and (United Nations Property in Austria) and Annexes

¹² This draft article was agreed upon by the United States, United Kingdom, and French Delegations. It was presented to Council of Foreign Ministers by the Deputies for Austria at the Council's 39th Meeting, April 21. The Council took no final action on the article as the Soviet Delegation continued to reserve its position. [Footnote supplied by the editor.]

(Judgments . . .)⁽¹⁾ of the present Treaty shall be referred to a

⁽¹⁾ The United Kingdom, French and United States Delegations do not necessarily consider this list to be complete.

Conciliation Commission consisting of one representative of the Government of the United Nation concerned and one representative of the Government of Austria. If, within three months after the dispute has been referred to the Conciliation Commission no agreement has been reached, either Government may ask for the addition to the Commission of a third member selected by mutual agreement of the two Governments from nationals of a third country. Should the two Governments fail to agree within two months on the selection of a third member of the Commission, either Government may request the Heads of the Diplomatic Missions in Vienna of the U.S.S.R., of the United States, of the United Kingdom, and of France to make the appointment. If the Heads of Mission are unable to agree within a period of one month the appointment of this third member, the Secretary-General of the United Nations may be requested by either party to make the appointment.

2. When any Conciliation Commission is established under paragraph 1 above, it shall have jurisdiction over all disputes which may thereafter arise between the United Nation concerned and Austria in the application or interpretation of the Articles and Annexes enumerated in paragraph 1 of this Article; and shall perform the functions attributed to it by those provisions.

3. Each Conciliation Commission shall determine its own procedure, adopting rules conforming to justice and equity.

4. Each Government shall pay the salary of the member of the Conciliation Commission whom it appoints and of any agent whom it may designate to represent it before the Commission. The salary of the third member shall be fixed by special agreement between the Governments concerned and this salary, together with the common expenses of each Commission, shall be paid in equal shares by the two Governments.

5. The parties undertake that their authorities shall furnish directly to the Conciliation Commission all assistance which may be within their power.

6. The decision of the majority of the members of the Commission shall be the decision of the Commission, and shall be accepted by the parties as definitive and binding.

PART VIII. MISCELLANEOUS ECONOMIC PROVISIONS (1)

(1) The French Delegation reserve the right to suggest consideration of a provision regarding nullity of the consequences of the *Anschluss*.

ARTICLE 51

Patents

[Austrian patent law shall be amended in order to limit the study preliminary to registration to a simple survey of the definition of the new characteristics of the projects.

Any kind of technical centralisation by any means and any form of preliminary appeal to opposition are prohibited.](2)

(2) French proposal. Opposed by the U.S., U.K. and Soviet Delegations.

ARTICLE 52

Transit Facilities

Austria shall facilitate as far as possible railway traffic in transit through its territory at reasonable rates and shall negotiate with neighbouring States all reciprocal agreements necessary for this purpose.

ARTICLE 52 BIS

{The Allied and Associated Powers undertake to support inclusion in the settlement in relation to Germany of provisions to facilitate transit and communication without customs duties or charges between Salzburg and Lofer (Tirol) across the Reichenhall-Steinpass.}(4)

(4) U.S. proposal supported by U.K. and French Delegations. Soviet Delegation considers this Article unnecessary.

ARTICLE 53

Scope of Application

Articles (on Restitution, Restoration of United Nations Property and General Economic Relations) and Annex (on Judgments) of the present Treaty shall apply to the Allied and Associated Powers and to those of the United Nations which had that status on May 8, 1945, and whose diplomatic relations with Germany have been broken off during the period between September 1, 1939 and January 1, 1945.

ARTICLE 54

Force of Annexes

The provisions of Annexes VIII, IX, X shall, as in the case of the other Annexes, have force and effect as integral parts of the present Treaty.

PART IX. CLAUSE RELATING TO THE DANUBE

ARTICLE 55

Navigation on the Danube shall be free and open for the nationals, vessels of commerce and goods of all States on a footing of equality in regard to port and navigation charges and conditions for merchant shipping. The foregoing shall not apply to traffic between ports of the same State.

PART X. FINAL CLAUSES

ARTICLE 56

Heads of Mission

1. For a period not to exceed eighteen months from the coming into force of the present Treaty, the Heads of the Diplomatic Missions in Vienna, of the Soviet Union, of the United Kingdom, of the United States of America and of France, acting in concert, will represent the Allied and Associated Powers in dealing with the Austrian Government in all matters concerning the execution and interpretation of the present Treaty.

2. The Four Heads of Mission will give the Austrian Government such guidance, technical advice and clarification as may be necessary to ensure the rapid and efficient execution of the present Treaty both in letter and in spirit.

3. The Austrian Government shall afford the said Four Heads of Mission all necessary information and any assistance which they may require in the fulfilment of the tasks devolving on them under the present Treaty.

ARTICLE 57

Interpretation of the Treaty

1. Except where another procedure is specifically provided under any Article of the present Treaty, any dispute concerning the interpretation or execution of the Treaty which is not settled by direct diplomatic negotiations shall be referred to the Four Heads of Mission acting under Article 56, except that in this case the Heads of Mission will not be restricted by the time limit provided in that Article. Any such dispute not resolved by them within a period of two months shall, unless the parties to the dispute mutually agree upon another means of settlement, be referred at the request of either party to the dispute to a Commission composed of one representative of each party and a third member selected by mutual agreement of the two parties from

nationals of a third country. Should the two parties fail to agree within a period of one month upon the appointment of the third member, the Secretary-General of the United Nations may be requested by either party to make the appointment.

2. The decision of the majority of the members of the Commission shall be the decision of the Commission and shall be accepted by the parties as definitive and binding.

ARTICLE 58

Accession Clause

1. Any member of the United Nations at war with Germany which had the status of a United Nation on May 8, 1945, and is not a signatory to the present Treaty, may accede to the Treaty and upon accession shall be deemed to be an Associated Power for the purposes of the Treaty.

2. Instruments of accession shall be deposited with the Government of the Union of Soviet Socialist Republics and shall take effect upon deposit.

ARTICLE 59

Ratification

The present Treaty, of which the Russian, English, French ~~and German~~ ⁽¹⁾ texts are authentic, shall be ratified ~~by the Allied and~~ ⁽¹⁾ ~~United Kingdom and United States proposal.~~

~~Associated Powers. It shall also be ratified by Austria~~ ⁽²⁾. It shall ~~be ratified by~~ ⁽²⁾ ~~Soviet proposal.~~

come into force immediately upon deposit of ratifications by the Union of Soviet Socialist Republics, by the United States of America, by the United Kingdom of Great Britain and Northern Ireland, and by France ~~for the one part and by Austria of the other part~~ ⁽³⁾. The

~~United Kingdom, United States and French proposal.~~

instruments of ratification shall, in the shortest time possible, be deposited with the Government of the Union of Soviet Socialist Republics.

With respect to each Allied and Associated Power whose instrument of ratification is thereafter deposited, the Treaty shall come into force upon the date of deposit. The present Treaty shall be deposited in the archives of the Government of the Union of Soviet Socialist Republics which shall furnish certified copies to each of the signatory States.

In faith whereof the undersigned Plenipotentiaries have signed the present Treaty and have affixed thereto their seals.

Done in the city of — in the Russian, English, French and German languages this — day of — 194—

LIST OF ANNEXES

- I — Definition of Military and Military Air Training.
- II — Definition and List of War Material.
- III — Prohibition of Certain Equipment and Products.
- IV — Prohibition of Certain Research, Development and Manufacture.
- V — Limitation of Stocks of Certain Materials.
- VI — Resolution Adopted by the General Assembly of the United Nations on February 12, 1946.
- VII — Division of German Assets in Austria.
- VIII — Special Provisions relating to certain kinds of Property :
 - A. Industrial, Literary and Artistic Property
 - B. Insurance.
- IX — Contracts, Prescription and Negotiable Instruments.
- X — Judgments.

Annex I

Definition of Military and Military Air Training

1. Military training is defined as: the study of and practice in the use of war material specially designed or adapted for army purposes, and training devices relative thereto; the study and carrying out of all drill or movements which teach or practice evolutions performed by fighting forces in battle; and the organised study of tactics, strategy and staff work.

2. Military air training is defined as: the study of and practice in the use of war material specially designed or adapted for air force purposes, and training devices, relative thereto; the study and practice of all specialised evolutions, including formation flying, performed by aircraft in the accomplishment of an air force mission; and the organised study of air tactics, strategy and staff work.

Annex II

Definition and List of War Material

The term "war material" as used in the present Treaty shall include all arms, ammunition and implements specially designed or adapted for use in war as listed below.

The Allied and Associated Powers reserve the right to amend the list periodically by modification or addition in the light of subsequent scientific development.

Category I.

1. Military rifles, carbines, revolvers and pistols; barrels for these weapons and other spare parts not readily adaptable for civilian use.

2. Machine guns, military automatic or autoloading rifles, and machine-pistols; barrels for these weapons and other spare parts not readily adaptable for civilian use; machine gun mounts.

3. Guns, howitzers, mortars, cannon special to aircraft, breechless or recoilless guns and flamethrowers; barrels and other spare parts not readily adaptable for civilian use; carriages and mountings for the foregoing.

4. Rocket projectors; launching and control mechanisms for self-propelling and guided missiles; mountings for same.

5. Self-propelling and guided missiles, projectiles, rockets, fixed ammunition and cartridges, filled or unfilled, for the arms listed in sub-paragraphs 1-4 above, and fuses, tubes or contrivances to explode or operate them. Fuses required for civilian use are not included.

6. Grenades, bombs, torpedoes, mines, depth charges and incendiary materials or charges, filled or unfilled; all means for exploding or operating them. Fuses required for civilian use are not included.

7. Bayonets.

Category II.

1. Armoured fighting vehicles; armoured trains, not technically convertible to civilian use.

2. Mechanical and self-propelled carriages for any of the weapons listed in Category I; special type military chassis or bodies other than those enumerated in sub-paragraph 1 above.

3. Armour plate, greater than three inches in thickness, used for protective purposes in warfare.

Category III.

1. Aiming and computing devices for the preparation and control of fire, including predictors and plotting apparatus, for fire control; direction of fire instruments; gun sights; bomb sights; fuse setters; equipment for the calibration of guns and fire control instruments.

2. Assault bridging, assault boats and storm boats.

3. Deceptive warfare, dazzle and decoy devices.

4. Personal war equipment of a specialised nature not readily adaptable to civilian use.

Category IV.

1. Warships of all kinds, including converted vessels and craft designed or intended for their attendance or support, which can-

not be technically reconverted to civilian use, as well as weapons, armour, ammunition, aircraft and all other equipment, material, machines and installations not used in peace time on ships other than warships.

2. Landing craft and amphibious vehicles or equipment of any kind; assault boats or devices of any type as well as catapults or other apparatus for launching or throwing aircraft, rockets, propelled weapons or any other missile, instrument or device whether manned or unmanned, guided or uncontrolled.

3. Submersible or semi-submersible ships, craft, weapons, devices, or apparatus of any kind, including specially designed harbour defence booms, except as required by salvage, rescue or other civilian uses, as well as all equipment, accessories, spare parts, experimental or training aids, instruments or installations as may be specially designed for the construction, testing, maintenance or housing of the same.

Category V.

1. Aircraft assembled or unassembled, both heavier and lighter than air, which are designed or adapted for aerial combat by the use of machine guns, rocket projectors or artillery, or for the carrying and dropping of bombs, or which are equipped with, or which by reason of their design or construction are prepared for, any of the appliances referred to in sub-paragraph 2 below.

2. Aerial gun mounts and frames, bomb racks, torpedo carriers and bomb release or torpedo release mechanisms; gun turrets and blisters.

3. Equipment specially designed for and used solely by airborne troops.

4. Catapults or launching apparatus for shipborne, land- or sea-based aircraft; apparatus for launching aircraft weapons.

5. Barrage balloons.

Category VI.

Asphyxiating, vesicant, lethal, toxic or incapacitating substances intended for war purposes, or manufactured in excess of civilian requirements.

Category VII.

Propellants, explosives, pyrotechnics or liquified gases destined for propulsion, explosion, charging or filling of, or for use in connexion with, the war material in the present categories, not capable of civilian use or manufactured in excess of civilian requirements.

Category VIII.

Factory and tool equipment specially designed for the production and maintenance of the material enumerated above and not technically convertible to civilian use.⁽¹⁾

⁽¹⁾ French Delegation reserves the right to propose certain minor additions.

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 metres, 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 (76mm), 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%. 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.

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 milli-metre 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% and 98% 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.

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 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 Aluminium
 Fritted Metals
 Sulphuric acid of more than 98% concentration
 Nitric acid of more than 95% concentration.

Annex VI

Resolution Adopted by the General Assembly of the United Nations on February 12, 1946

The General Assembly, recognising that the problem of refugees and displaced persons of all categories is one of immediate urgency and recognising the necessity of clearly distinguishing between genuine refugees and displaced persons, on the one hand, and the war criminals, quislings and traitors referred to in paragraph (d) below, on the other:—

(a) decides to refer this problem to the Economic and Social Council for thorough examination in all its aspects under item 10 of the agenda for the first session of the Council and for report to the second part of the first session of the General Assembly;

(b) recommends to the Economic and Social Council that it establish a special Committee for the purpose of carrying out promptly the

examination and preparation of the report referred to in paragraph (a);

(c) recommends to the Economic and Social Council that it take into consideration in this matter the following principles:—

(i) This problem is international in scope and nature;

(ii) No refugees or displaced persons who have finally and definitely, in complete freedom, and after receiving full knowledge of the facts, including adequate information from the Governments of their countries of origin, expressed valid objections to returning to their countries of origin and who do not come within the provision of paragraph (d) below, shall be compelled to return to their country of origin. The future of such refugees or displaced persons shall become the concern of whatever international body may be recognised or established as a result of the report referred to in paragraphs (a) and (b) above, except in cases where the government of the country where they are established has made an arrangement with this body to assume the complete cost of their maintenance and the responsibility for their protection.

(iii) The main task concerning displaced persons is to encourage and assist in every way possible their early return to their countries of origin. Such assistance may take the form of promoting the conclusion of bilateral arrangements for mutual assistance in the repatriation of such persons having regard to the principles laid down in paragraph (c) (ii) above;

(d) considers that no action taken as a result of this resolution shall be of such a character as to interfere in any way with the surrender and punishment of war criminals, quislings and traitors, in conformity with present or future international arrangements or agreements,

(e) considers that Germans being transferred to Germany from other States or who fled to other States from Allied troops, do not fall under the action of this declaration in so far as their situation may be decided by Allied forces of occupation in Germany, in agreement with the Governments of the respective countries.

Thirtieth plenary meeting, February 12, 1946.

Annex VII ⁽¹⁾

⁽¹⁾ U.K. proposal supported by the French and U.S. Delegations. Soviet Delegation reserves its position with respect to the text of this Annex as a whole.

Division of German Assets in Austria

[1. German assets in Austria shall be divided in the following manner:—

(a) All German assets located wholly in Eastern Austria shall be available to the Soviet Union.

(b) All German assets located wholly [in Western Aus-

tria.]⁽²⁾ [elsewhere in Austria]⁽³⁾ shall be available for dis-

⁽²⁾ U.K. and French proposal.

⁽³⁾ U.S. proposal.

posal in accordance with such directions as may be issued jointly by the Governments of the United Kingdom, United States and France.

(c) Where a German asset consists of an interest in an enterprise which is located partly in Eastern Austria and partly [in Western Austria]⁽²⁾ [elsewhere in Austria]⁽³⁾ and the enterprise is constituted as a corporation, the German interest therein shall be divided in the proportion of the value of the physical assets which lie respectively in Eastern Austria and [Western Austria]⁽²⁾ [elsewhere in Austria]⁽³⁾. In similar circumstances, where an enterprise is not incorporated, steps shall be taken to incorporate it and the shares of the newly created corporation divided in the same manner.

(d) [Where a German asset consists of a creditor claim against a juridical person whose property is located partly in Eastern Austria, and partly elsewhere in Austria, the creditor claim shall be divided in the proportion of the value of the physical assets of the debtor which lie, respectively, in Eastern Austria and elsewhere in Austria.]⁽⁴⁾

⁽⁴⁾ The U.S. Delegation proposes this addition in case sub-paragraph 2(a) (iv) of the British draft is not included in Article 35.

2. (a) Eastern Austria shall mean the Zone of Austria and the Sector of Vienna occupied by the Soviet Forces in accordance with the "Agreement on Zones of Occupation in Austria and the Administration of the City of Vienna" of July 9, 1945, [and Western Austria the remainder of Austria other than the *Innere Stadt* of Vienna.]⁽⁵⁾

⁽⁵⁾ The U.S. Delegation does not agree to the inclusion of these words.

(b) [To the extent that German asset is located in the *Innere Stadt* of Vienna, it shall be treated as though it were located 25 percent in Eastern Austria and 75 percent in Western Austria.]⁽⁶⁾

⁽⁶⁾ U.K. proposal which has not been discussed by the Deputies.

(c) The location of a German asset which consists of an interest in an enterprise shall be regarded as the place or places where the physical property of the enterprise is located.

Annex VIII

Special Provisions Relating to Certain Kinds of Property

A. INDUSTRIAL, LITERARY AND ARTISTIC PROPERTY

1.(a.) A period of one year from the coming into force of the present Treaty shall be accorded to the Allied and Associated Powers and their nationals without extension fees or other penalty of any sort in

order to enable them to accomplish all necessary acts for the obtaining or preserving in Austria of rights in industrial, literary and artistic property which were not capable of accomplishment owing to the existence of a state of war [or by reason of the annexation of Austria by Germany].⁽¹⁾

(1) U.S., U.K. and Soviet proposal.

[A period of one year from the coming into force of the present Treaty shall be accorded to the Allied and Associated Powers and their nationals without extension fees or other penalty of any sort in order to enable them to preserve in Austria those rights in industrial, literary and artistic property that had been conceded to them by Germany and the validity of which was extended to Austrian territory by the fact of the annexation of Austria by Germany].⁽²⁾

(2) Alternative French proposal for the words in brackets in paragraph 1(a.)

(b.) Allied and Associated Powers or their nationals who had duly applied in the territory of any Allied or Associated Power for a patent or registration of a utility model not earlier than twelve months before the outbreak of the war with Germany or during the war, or for the registration of an industrial design or model or trade mark not earlier than six months before the outbreak of war with Germany or during the war, shall be entitled within twelve months after the coming into force of the present Treaty to apply for corresponding rights in Austria, with a right of priority based upon the previous filing of the application in the territory of that Allied or Associated Power.

(c.) Each of the Allied and Associated Powers and its nationals shall be accorded a period of one year from the coming into force of the present Treaty during which they may institute proceedings in Austria against those natural or juridical persons who are alleged illegally to have infringed their rights in industrial, literary or artistic property between the date of the outbreak of the war and the coming into force of the present Treaty.

2. A period from the outbreak of the war until a date eighteen months after the coming into force of the present Treaty shall be excluded in determining the time within which a patent must be worked or a design or trade mark used.

3. The period from the outbreak of the war until the coming into force of the present Treaty shall be excluded from the normal term of rights in industrial, literary and artistic property which were in force in Austria at the outbreak of the war or which are recognised or established under Part A of this Annex and belong to any of the Allied and Associated Powers or their nationals. Consequently, the normal duration of such rights shall be deemed to be automatically

extended in Austria for a further term corresponding to the period so excluded.

4. The foregoing provisions concerning the rights in Austria of the Allied and Associated Powers and their nationals shall apply equally to the rights in the territories of the Allied and Associated Powers of Austria and its nationals. Nothing, however, in these provisions shall entitle Austria or its nationals to more favourable treatment in the territory of any of the Allied and Associated Powers than is accorded by such Power in like cases to other United Nations or their nationals, nor shall Austria be thereby required to accord to any of the Allied and Associated Powers or its nationals more favourable treatment than Austria or its nationals receive in the territory of such Power in regard to the matters dealt with in the foregoing provisions.

5. Third parties in the territories of any of the Allied and Associated Powers or Austria who, before the coming into force of the present Treaty, had *bona fide* acquired industrial, literary or artistic property rights conflicting with rights restored under Part A of this Annex or with rights obtained with the priority provided thereunder, or had *bona fide* manufactured, published, reproduced, used or sold the subject matter of such rights, shall be permitted, without any liability for infringement, to continue to exercise such rights and to continue or to resume such manufacture, publication, reproduction, use or sale which had been *bona fide* acquired or commenced. In Austria, such permission shall take the form of a non-exclusive licence granted on terms and conditions to be mutually agreed by the parties thereto, or in default of agreement, to be fixed by the Conciliation Commission established under Article—of the present Treaty. In the territories of each of the Allied and Associated Powers, however, *bona fide* third parties shall receive such protection as is accorded under similar circumstances to *bona fide* third parties whose rights are in conflict with those of the nationals of other Allied and Associated Powers.

6. Nothing in Part A of this Annex shall be construed to entitle Austria or its nationals to any patent or utility model rights in the territory of any of the Allied and Associated Powers with respect to inventions relating to any article listed by name in Annex II of the present Treaty, made, or upon which applications were filed, by Austria, or any of its nationals, in Austria or in the territory of any of the Axis Powers, or in any territory occupied by the Axis forces, during the time when such territory was under the control of the forces or authorities of the Axis Powers.

7. Austria shall likewise extend the benefits of the foregoing provisions of this Annex to other United Nations which are not Allied or Associated Powers, whose diplomatic relations with Germany have been broken off during the war and which undertake to extend to Austria the benefits accorded to Austria under the said provisions.

8. Nothing in Part A of this Annex shall be understood to conflict with Articles ——— of the present Treaty.

B. INSURANCE

1. No obstacles, other than any applicable to insurers generally, shall be placed in the way of the resumption by insurers who are United Nations nationals of their former portfolios of business.

2. Should any insurer, who is a national of any of the United Nations, wish to resume his professional activities in Austria, and should the value of guarantee deposits or reserves required to be held as a condition of carrying on business in Austria be found to have decreased as a result of the loss or depreciation of the securities which constituted such deposits or reserves, the Austrian Government undertakes to accept, for a period of eighteen months, such securities as still remain as fulfilling any legal requirements in respect of deposits and reserves.

Annex IX

Contracts, Prescriptions and Negotiable Instruments

A. CONTRACTS

1. Any contract which required for its execution intercourse between any of the parties thereto having become enemies as defined in part D of this Annex, shall, subject to the exceptions set out in paragraphs 2 and 3 below, be deemed to have been dissolved as from the time when any of the parties thereto became enemies. Such dissolution, however, is without prejudice to the provisions of Article — of the present Treaty, nor shall it relieve any party to the contract from the obligation to repay amounts received as advances or as payments on account and in respect of which such party has not rendered performance in return.

2. Notwithstanding the provisions of paragraph 1 above, there shall be excepted from dissolution and there shall remain in force such parts of any contract as are severable and did not require for their execution intercourse between any of the parties thereto, having become enemies as defined in part D of this Annex. Where the provisions of any contract are not so severable, the contract shall be deemed to have been dissolved in its entirety. The foregoing shall be subject to the application of domestic laws, orders or regulations made by any of the Allied and Associated Powers having jurisdiction over the contract or over any of the parties thereto and shall be subject to the terms of the contract.

3. Nothing in part A of this Annex shall be deemed to invalidate transactions lawfully carried out in accordance with a contract between enemies if they have been carried out with the authorization of the Government of one of the Allied and Associated Powers.

4. Notwithstanding the foregoing provisions, contracts of insurance and re-insurance shall be subject to separate agreements between the Government of the Allied or Associated Power concerned and the Government of Austria.

B. PERIODS OF PRESCRIPTION

1. All periods of prescription or limitation of right of action or of the right to take conservatory measures in respect of relations affecting persons or property, involving United Nations nationals and Austrian nationals who, by reason of the state of war with Germany, were unable to take judicial action or to comply with the formalities necessary to safeguard their rights, irrespective of whether these periods commenced before or after the outbreak of that war, shall be regarded as having been suspended for the period from September 1, 1939 till the date of the coming into force of the present Treaty, in Austrian territory on the one hand, and on the other hand in the territory of those United Nations which grant to Austria, on a reciprocal basis, the benefit of the provisions of this paragraph. These periods shall begin to run again on the coming into force of the present Treaty. The provisions of this paragraph shall be applicable in regard to the periods fixed for the presentation of interest or dividend coupons or for the presentation for payment of securities drawn for repayment or repayable on any other ground.

2. Where, on account of failure to perform any act or to comply with any formality within the period from September 1, 1939 till the date of the coming into force of the present Treaty, measures of execution have been taken in Austrian territory to the prejudice of a national of one of the United Nations, the Austrian Government shall restore the rights which have been detrimentally affected. If such restoration is impossible or would be inequitable, the Austrian Government shall provide that the United Nations national shall be afforded such relief as may be just and equitable in the circumstances.

C. NEGOTIABLE INSTRUMENTS

1. As between enemies, no negotiable instrument made before the war shall be deemed to have become invalid by reason only of failure within the required time to present the instrument for acceptance or payment, or to give notice of non-acceptance or non-payment, to drawers or endorsers, or to protest the instrument, nor by reason of

failure to complete any formality within the period from September 1, 1939 till the date of the coming into force of the present Treaty.

2. Where the period within which a negotiable instrument should have been presented for acceptance or for payment, or within which notice of non-acceptance or non-payment should have been given to the drawer or endorser, or within which the instrument should have been protested, has elapsed within the period from September 1, 1939 till the date of the coming into force of the present Treaty, and the party who should have presented or protested the instrument or have given notice of non-acceptance or non-payment has failed to do so within the period from September 1, 1939, till the date of the coming into force of the present Treaty, a period of not less than three months from the coming into force of the present Treaty shall be allowed within which presentation, notice of non-acceptance or non-payment, or protest may be made.

3. If a person has before the coming into force of the present Treaty, incurred obligations under a negotiable instrument in consequence of an undertaking given to him by a person who has subsequently become an enemy, the latter shall remain liable to indemnify the former in respect of those obligations notwithstanding the outbreak of the war.

D. SPECIAL PROVISIONS

1. For the purposes of this Annex, natural or juridical persons shall be regarded as enemies from the date when trading between them shall have become unlawful under laws, orders or regulations to which such persons or the contracts were subject.

2. Having regard to the legal system of the United States of America, the provisions of this Annex shall not apply as between the United States of America and Austria.

E. PROVISIONS RELATING TO CONTRACTS WITH GERMANY OR WITH GERMAN NATIONALS

French proposals still under consideration by the Deputies.

Annex X

Judgments

The Government of Austria shall take the necessary measures to enable nationals of any of the United Nations at any time within one year after the coming into force of the present Treaty to submit to the appropriate Austrian authorities for review any judgment given by any court in Austria, or in any case tried in a court in Austria, between September 1st, 1939, and the coming into force of the present

Treaty in any proceeding in which the United Nations national was unable to make adequate presentation of his case as plaintiff or defendant. The Government of Austria shall provide that where the United Nations national has suffered injury by reason of any such judgment, he shall be restored in the position in which he was before the judgment was given or shall be afforded such relief as may be just and equitable in the circumstances. The term "United Nations nationals" includes corporations or associations organised or constituted under the laws of any of the United Nations.

CFM Files : Lot M-88 : Box 60 : US Delegation Papers

United States Delegation Working Paper

[Extracts]

SECRET

[Moscow,] April 4, 1947.

SLOVENE-CARINTHIA

I. THE YUGOSLAV CLAIMS

The Yugoslav memorandum, reproduced in document CFM(D) (47) (A) 9,¹³ to the Deputy Foreign Ministers Conference in London, asks for the cession to Yugoslavia of Slovene-Carinthia and some small corners of Styria and for the protection of the Slav minority in Burgenland.

The areas claimed in Styria may be dismissed as relatively unimportant, possessed of neither strategic position nor, so far as is known, strategic materials. The issue raised over the Croats in Burgenland may also be dismissed from serious consideration, as the question of control of the area is not at stake, whatever the region's strategic value to Austria or Yugoslavia. The Croats in Burgenland have not, in recent years, been a troublesome minority problem, nor are they likely to become so unless they are subjected to extensive outside influence. Rules and regulations as to their treatment are properly a subject for negotiations between the two countries concerned or between the Croats themselves and the Austrian Government.

The Yugoslav claim to Slovene-Carinthia, however, is of great importance, and a discussion of this question is the subject of this paper. Briefly, the Yugoslav case rests on these three points: (1) Austria, as an integral part of Germany, participated in the war at the side of Hitlerite Germany, whereas Yugoslavia made an important contribution to the efforts of the Allies; therefore, Yugoslavia's claims should receive preferential treatment; (2) the 1920 plebiscite to determine

¹³ *Ante*, p. 114.

the fate of the disputed area was not conducted in a manner designed to accord fair treatment to the resident Slovenes; and (3) the disputed area is bound by historical, ethnical, geographic and economic factors to Yugoslavia. In this paper points (2) and (3) only will be covered inasmuch as the arguments pro and con with respect to point (1) are quite familiar to all concerned.

[Here follow sections on: II. Statistics; III. Historical Factors; IV. Religious and Political Factors; V. Geographic and Economic Factors; VI. Strategic Factors; VII. Austrian Minority Policy.]

VIII CONCLUSION

While the comparative strengths of the two opposing Slovene groups are not presently available, it appears probable that the majority of Carinthian Slovenes would still vote in favor of Austria rather than Yugoslavia if another plebiscite should be held. The historical and economic factors are still operative, and these bind the Carinthian Slovenes much closer to the Austrians than to their Slav kinsmen across the border. The religious and political factors are probably more important now than before the advent of the Tito regime in Yugoslavia. The Carinthian Slovenes are Roman Catholics, and politically they have always been conservative.

It is not likely, therefore, that a majority of the Slovenes in the disputed area would vote for a national affiliation with Yugoslavia, which would place them under a system of which they disapprove on both religious and political grounds. They lack a pronounced national tradition, and they have the background of a long-standing cultural, religious and economic affinity with the German-speaking elements of Carinthia.

IX RECOMMENDATION ¹⁴

The US must continue to oppose the Yugoslav claim to the disputed area and to support the retention of the 1937 Austrian frontiers, on the following grounds:

(a) An analysis of the historical, religious, political and economic factors involved in this dispute indicates that separation of the disputed area from Austria is unjustified.

(b) The 1920 international plebiscite, carried out under conditions more favorable to Yugoslavia than to Austria, has already settled this issue and there are no present considerations, non-existent prior to this plebiscite, which warrant setting aside the decision established by the plebiscite.

¹⁴ For a summary of Secretary Marshall's presentation of the United States position on the Yugoslav claims to Carinthia, made at the Council's 36th Meeting, April 19, see telegram 1480, Delsec 1451, April 19, from Moscow, p. 362.

(c) Any territorial loss—after the South Tyrol issue has been decided against the Austrians and after agreement has been reached by the Big Four to re-establish Austria as a sovereign and independent state—would constitute a tremendous blow to Austrian national prestige and would undoubtedly have serious internal as well as foreign political repercussions.

740.00119 Control (Austria)/4-2447

*The Austrian Foreign Minister (Gruber) to the Secretary of State*¹⁵

Moscow, 24th April 1947.

MR. SECRETARY OF STATE: I just learned the result of the meeting of today.¹⁶ I should be greatly obliged to you, if in choosing the personality who is to deal with the problem of German property in Austria, an expert could be appointed who is conversant with the general situation as well as with the whole of our own complicated problem. We should therefore attach particular importance to instructions to be given to the personality for the purpose of a close collaboration with the Austrian Government. May I ask in this connection that this very important choice should not be made without taking into account the wishes of our Government.

The present result of the conference means for the Austrian people that they have to go through another winter under the four Power occupation with all the hardships we know. I firmly believe that our population in a supreme desperate effort will overcome these difficulties but it is obviously necessary to avoid by all means that the political difficulties which are bound to come in the autumn should be increased by an economic crisis as it happened in the last winter. Such a danger can only be shunned if Austria is supplied with at least so much coal that our industries will not have to be closed down during weeks and weeks. I therefore beg to make an urgent appeal to you, Mr. Secretary of State, use please all your influence that our coal supplies which are absolutely insufficient should be improved still this summer if necessary by direct shipments from the USA. Otherwise it would be absolutely impossible to prevent all the mishaps which I have mentioned above.

I shall have the honour to submit to you later a concrete request through our technical experts. Anyhow I would not like to leave Moscow without having urgently applied to your help in this question.

¹⁵ A letter of the same contents was sent by Gruber to Foreign Secretary Bevin. The source text was forwarded by the Secretary's office to the Division of Central European Affairs on May 5, 1947, with the following comment:

"This document was received at Moscow but no action was taken. It is sent to you for information or for action in the event that any is necessary or desirable."

¹⁶ Ante, pp. 386 and 388.

I wish to take the opportunity to thank you once more for all the support you have been giving the Austrian interests. The Austrian Delegation may have taken in some questions different views, but we have never forgotten that all actions of the American Delegation are inspired by the desire to help Austria. We could have put a signature under the American Draft without altering one word.

Believe me [etc.]

GRUBER

III. THE AUSTRIAN TREATY COMMISSION, MAY 12- OCTOBER 11, 1947

Editorial Note

A Draft Treaty for the Reestablishment of an Independent and Democratic Austria was discussed by the Deputies for Austria of the Council of Ministers during meetings in London, January 10-February 25, 1947 and by the Council of Foreign Ministers at its Fourth Session in Moscow, March 10-April 24, 1947; for the records and reports of these meetings, see Chapters I and II. The Draft Austrian Treaty as it emerged from these discussions was contained in document CFM (47) (M) 82, March 29, 1947, and the emendations and annotations thereto, *ante*, page 516.

At its 43rd and final meeting in Moscow, April 24, 1947, the Council of Foreign Ministers decided to establish an Austrian Treaty Commission consisting of representatives from the United States, the United Kingdom, the Soviet Union, and France to examine all the points of disagreement on the Draft Austrian Treaty. The Council's decision is set forth in Item II of the Record of Decisions of its 43rd Meeting, *ante*, page 386.

In pursuance of the Council decision, the Austrian Treaty Commission met in Vienna from May 12 to October 11, 1947. The principal delegates to the Commission were:

For the United States:

Joseph M. Dodge, Representative
David Ginsburg, Acting Representative

For the United Kingdom:

Sir George Rendel, Representative
W. H. Lawson, Acting Representative
M. F. Cullis, Acting Representative

For the Soviet Union:

Kirill Vasilyevich Novikov, Representative
Nikolay Petrovich Koptomov, Acting Representative

For France:

Général de Brigade P. R. P. Cherrière, Representative
Étienne Burin des Rozières, Acting Representative

For the statement by the Department of State announcing the appointment of the United States Delegation to the Commission and explaining the hopes of the United States for the success of the Commission, see Department of State *Bulletin*, May 18, 1947, page 985. For a full listing of the United States Delegation and a brief review of the activities of the Commission, see *Participation of the United States Government in International Conferences July 1, 1946-June 30, 1947*, Department of State Publication 3031 (Washington, Government Printing Office, 1948), pages 29-31.

The Austrian Treaty Commission held 85 formal meetings and considered 77 formal documents. The documentation that follows does not include reports on individual Commission meetings. The proceedings of the Commission were largely devoted to an extensive examination of the basic types of German assets in Austria and to detailed and technical discussion of the unagreed portions of the Draft Austrian Treaty. The arguments advanced by the Delegations were often quite repetitious. The first twenty-one meetings, May 12-June 18, were concerned with procedural discussions regarding the Commission's method of work and the functions to be assigned to the Committee of Experts expected to give special study to the question of German assets in Austria. At its 22nd through 36th meetings, June 19-July 25, the Commission considered the question of Austrian oil properties. The problems of Danube shipping and Austrian financial institutions, industry, and State property were taken up by the Commission at its 36th through 51st meetings, July 25-August 25. Various questions related to Article 35 of the Draft Austrian Treaty were discussed by the Commission at its 52nd through 68th meetings, August 29-September 19, at its 78th through 81st meetings, October 2-6, and at its 83rd meeting, October 8. Other unagreed articles of the Treaty were considered by the Commission during the 69th through 84th meetings, September 22-October 9. The 85th and Final Meeting of the Commission was concerned with the approval of the Commission's Report to the Council of Foreign Ministers, document CFM (ATC) (47)77, October 11, 1947, page 631.

The agreed Records of Decisions of the Commission's meetings and the formal Commission documents are included in CFM Files, Lot M-88, Boxes 61 and 62. A list of the documents circulated to the Commission is included as Annex "A" to document CFM/ATC(47)77, October 11, 1947, page 660. The United States Delegation transcripts and minutes of Commission meetings are included in CFM Files, Boxes 62 and 63. The United States Delegation sent telegraphic reports to the Department of State on all Commission meetings and transactions. These telegrams are included in the Department of

State's files principally under file 740.0011 EW (Peace). The same Department file also includes telegraphic instruction and commentary transmitted to the Delegation in Vienna. Reports, correspondence, background and working papers, and other materials prepared or used by the Delegation are included in CFM Files, Boxes 63-68 and in the Vienna Legation Files for 1947.

740.0011 EW (Peace)/5-1447 : Telegram

*The Secretary of State to the United States Representative on the Austrian Treaty Commission (Dodge) at Vienna*¹

SECRET

VIENNA, May 14, 1947—8 p.m.

320. For Dodge from the Secretary. The following instructions are for your guidance in the work of the Commission to deal with unsettled questions concerning the Austrian Treaty.

The positions taken by the United States on the unresolved issues in the treaty have been communicated to you and have been discussed in detail between officers of the Department and your staff. In the conduct of your negotiations, you should seek a settlement of these issues in keeping with the spirit of the positions previously taken by the United States. Should you consider it necessary to make any substantial deviation from these positions you should submit your recommendations to the Department and seek its instructions.

In particular, the Department does not feel any change should be made in the position taken by the United States that the Austrian frontiers should be left as they were on January 1, 1938 (Article 5) and that no reparation should be exacted from Austria (Article 34). With respect to the other disagreed provisions, you should keep in mind the fundamental purpose of the United States that the treaty should establish Austria in a political and economic position which will enable it to maintain its independence and which will be conducive to continuation of a democratic system of government.

I feel that the Austrian settlement will turn upon a satisfactory resolution of the question of German assets. The Department believes that, under the American definition of German assets as proposed at Moscow,² the Soviet Union would in fact receive a substantial number

¹ Messages to and from the United States Delegation to the Austrian Treaty Commission were transmitted through the Legation in Vienna and bore Legation telegram numbers.

² The joint United States-United Kingdom proposal for a definition of German assets was set forth as paragraph 2 of article 35 of the Draft Austrian Treaty, p. 535. A new United States proposal for article 35 was circulated to the Council of Foreign Ministers at Moscow as document CFM (47) (M) 141, April 18, 1947; the text appears in footnote 9 to article 35.

of properties, together with an important sum in schillings representing Soviet share of Austrian debts to Germany. It should therefore be possible to reach practical solution of this question which would satisfy the legitimate claims of the USSR without prejudicing the interests of those who have been victimized by Nazi looting in Austria.

You should press within the Commission and within the Committee of Experts for an early resolution of this question. You should seek to direct the discussion toward the identification of the specific assets which are to be regarded as German assets, particularly those to be transferred to the Soviet Union. In the examination of particular properties which should be regarded as German, you should be guided by the views which I expressed at the Moscow Conference. If it is not possible to reach agreement with respect to specific matters, you should press for the development of agreed factual information which would be of assistance to the Council of Foreign Ministers in reaching final decisions on such unresolved questions. You should not take any action which would prejudice the claims of American nationals to property in Austria without specific approval of the Department.

The terms of reference of the Commission,³ which are being telegraphed separately, call for a report to the Council of Foreign Ministers without delay.

MARSHALL

Vienna Legation Files : 1947 : 710 Treaty

*Memorandum of Conversation, by the Adviser to the United States
Delegation to the Austrian Treaty Commission (Williamson)*

SECRET

[VIENNA,] May 15, 1947.

Dr. Gruber asked me to call at his home today to discuss the entire situation arising out of the failure of the Moscow Conference to obtain a treaty for Austria. In an extensive review of the Austrian situation since the beginning of the negotiations for the treaty, Dr. Gruber expressed great disappointment that a final solution had not been reached in order that the occupation forces might be withdrawn from Austria. The presence of these forces in Austria is, according to the Minister, the key problem in the local situation and until the forces are withdrawn no reconstruction can be inaugurated.

Dr. Gruber stated that it was vitally necessary for agreement to be reached on the disputed articles by the Commission in order that the final treaty could be brought to the attention of the Council of Foreign

³The terms of reference for the Austrian Treaty Commission were set forth in Item II of the Provisional Record of Decisions of the 43rd Meeting of the Council of Foreign Ministers at Moscow, April 24, 1947, p. 386.

Ministers in September. An announcement to the effect that the troops would be withdrawn was considered by him, as well as by the entire Government, to be necessary in the maintenance of law and order within Austria. The recent demonstrations against the Government indicated that widespread disorder might be expected if the Austrian population believed that the occupation forces would remain for another winter. Unless agreement is reached on the treaty, Dr. Gruber maintained that public opinion would drive the Austrian Government to make a direct settlement with the Russians and that the Government would be incapable of withstanding such pressure.

Dr. Gruber believed that it would be possible to reach agreement on the remaining disputed articles. He hoped that no change would be made in the United States position on frontiers but recommended that the United States position on German assets be relaxed to the extent necessary to obtain Soviet approval. He recommended that the Commission should study and examine the facts on various disputed cases and that any property which was determined to be German should be turned over to the Soviets in accordance with international agreement. Secondly, he considered that the Commission should deal only with the major cases, such as oil, D.D.S.G., the major industrial plants, and financial institutions. The Commission should not only establish the facts concerning these cases in order to arrive at a decision but should also determine the total amount of the Soviet claim. Thirdly, on all other aspects of the assets problem, he recommended that the Austrians negotiate a direct settlement with the Soviets, as well as with other occupying powers, on the entire question of the status and disposition of former German property. The four agreements so negotiated could then be attached to the treaty as annexes. In this way, he felt, all powers would have a chance to ratify any settlement made between the Austrians and the Soviets.

Dr. Gruber pointed out in definite terms that he had worked this plan out with Minister Krauland and that it had not been approved by the Government.

Dr. Gruber was convinced that the Soviets wanted to conclude an Austrian treaty since Austria was, in his estimation, the only place in the world where agreement could be reached between the Soviets and the Western States. The Soviets, however, must preserve face and not give in too rapidly or too far to the Western position. Therefore, it would be necessary for the Western States to relax their positions on the assets questions in order to obtain Soviet approval.

In response to a direct question concerning Soviet objectives in Austria, Dr. Gruber stated that he was convinced that the Soviets did not desire to control the Austrian economy. They wished to estab-

lish an economic foothold to serve as a basis for the political operations of the Austrian Communist party. He emphasized that in Molotov's statements and the various Soviet proposals the Soviets always agreed that any plants owned or controlled by them in Austria would be subject to Austrian law. He stated that the Austrian Government anticipated no trouble in controlling Soviet activity inasmuch as the Government controlled the police, the workers, and such essential services as electricity and waterpower. He was convinced that the Soviets would always act in accordance with the Austrian law and judicial decision and that it would not be necessary to apply any Governmental pressure or sanctions. In the event that the Soviets did utilize their economic resources in Austria to coerce the Government, Dr. Gruber believed that "the international community" would come to Austria's rescue.

Dr. Gruber stated that he stuck by the points made in his recent speech before Parliament and was critical of the methods and tactics used by the U.S. Delegation at Moscow in the Conference. He was particularly critical of General Clark's statement that the occupation forces would remain in Austria until the Soviets agreed with our position.⁴ He pointed out that such a policy might be good for the security interests of the Western States but was one which was ruinous to the Austrian economy and to Austrian political stability.

Dr. Gruber expressed the hope that he and Minister Krauland would be able to present their views to the United States member of the Commission.

FRANCIS T. WILLIAMSON

740.0011 EW (Peace)/5-2047

The Adviser to the United States Delegation at the Austrian Treaty Commission (Williamson) to the Chief of the Division of Central European Affairs (Riddleberger)

[Extracts]

TOP SECRET

VIENNA, May 20, 1947.

PERSONAL

DEAR JIMMY: We have just completed the first week of the Treaty Commission. There is little to point to in tangible results and there is still no agreement on the terms of reference for the work of the Committee of Experts. You are aware of the issues involved from the telegrams. Various members of the Commission express various

⁴ Regarding the statements made by General Clark in early May, 1947 on the eve of his relinquishing his post of High Commissioner for Austria and departing for the United States, see telegram P-7189, May 12, 1947, from Vienna, p. 1172.

degrees of pessimism about the rate of progress. I am so encouraged about the manner in which the negotiations have been conducted that I am not discouraged about the lack of tangible results. Dodge has done a magnificent job during the first week. He is firm and always has a clear and intelligent reason for being so. The conduct of the negotiations has aroused a good deal of talk, particularly among the French and British Delegations. In terms of my experience, this is the first time that our policy in Austria has been clearly stated and discussed intelligently with the other nations involved. It is too early to give any judgment on the prospects of agreement. At the present time it looks like a long grind and if terms of reference are agreed on, the Committee of Experts will probably settle down to a long wrangle over the admission of facts on German assets.

The Austrian situation at the present time is in a delicate balance and we are faced with the necessity of altering our policy on the treaty or coming across with definite assistance. As usual, we do not have the initiative and the decision lies with the Soviets. The Soviets can stall the work of the Commission and intensify their propaganda line in Austria that the US is responsible because of its uncompromising attitude towards German assets. There are many opportunities both in the Commission and in the Committee of Experts for delay. The Soviets can obviously use that delay to strengthen the groups in the government proposing a bilateral settlement. Gruber believes that the Soviets wish to withdraw without loss of face and that the Austrians can get along economically and politically with the Soviets in the future. He is willing to accept the Molotov formula and to go down the line on the oil question and DDSG admitting Soviet participation in or control of the operating countries [*companies?*].

Our difficulty in combatting this move is in finding an alternative to present to the Austrian Government. I do not believe that under any circumstances we should accept Gruber's formula and relax our position on the assets question. The Soviet position is so weak and we have all the force of law and international agreement on our side. Any appeasement by us on this question either in the Commission or in the Committee of Experts would be widely interpreted as a sellout and would endanger our whole policy in Europe.

Any action in this regard, however, does not touch the fundamental economic question.⁵ The basic situation is worse than it was last year.

⁵ For documentation on the question of United States economic assistance to Austria, see pp. 1167 ff.

If I may be alarmed again, I am alarmed at the lack of consistency in our economic policy. It does not follow our diplomatic policy and certainly does not carry out the great promises made by General Clark. The most pressing problem at the present time is coal. If there is to be a choice between food and coal in the immediate future, many Austrians believe that we should send them coal. The Austrians fared badly in the Ruhr allocations and obviously the situation in Western Europe does not admit any tampering with these allocations. That leaves only the possibility of obtaining Polish coal. I certainly hope that some deal can be worked out in connection with the relief bill in order to obtain Polish coal, either by making it a specific commitment by the Poles or by turning over an appropriate share of the Austrian relief to the Poles. The Polish decision to abstain from delivering coal from [to?] Austria is obviously a political decision. There is no reason, therefore, why we should not play politics to obtain Polish coal for Austria. Any policy, however, in tying Austria to the Polish coal fields should be recognized as transitional pending the clarification of the Ruhr situation.

In addition to coal, the second most pressing need is hard currency for raw material imports. I have no idea how this may be obtained, but if it does become available it seems to me it should be used for rebuilding Austrian economic connections with the Western states. I would like to report that there is a story in the Vienna Coffee Houses about the Export Import Bank loan. It is said that the Austrian representative was told by the Export Import Bank not to go near the State Department and if the State Department had anything to do with it Austria would not get the loan. This story involves a brash young man by the name of Erwin Schueller who is working independently of Kleinwaechter in Washington. You might suggest to Kleinwaechter that he either be muzzled or sent back here to a 1550 calorie ration because he is doing a great deal to injure the Austrian chances for a loan.

I realize that there can never be a great bilateral trade between Austria and the US. In last analysis, Austria can furnish us only with certain quaint handicraft products which would never solve their foreign exchange problems. It seems to me possible on the other hand to work out a system of multilateral trade between Austria and the Western European states including Germany to replace the former Austrian dependence on the Danubian area. This would not preclude small trade with Czechoslovakia and Hungary but would enable Austria to survive economically without tying its political independence to an area which will always be opposed to Austrian political independence under a non-Communist Government. A reorientation of

Austrian economic life in this regard could only take place under our good offices and with hard currency made available by us.

I hope some definite plan can be worked out or tangible results announced as soon as possible. Any letdown in our policy here or any shift in our position would simply strengthen the Soviet position and put them in an excellent position to make ineffective our whole German policy.

There are many other aspects of the Austrian question about which I will report to you in further letters. Please give my best regards to all the members of CE.

Sincerely,

FRANCIS [WILLIAMSON]

Editorial Note

At the 7th Meeting of the Austrian Treaty Commission, May 21, 1947, United States Representative Dodge made a statement expressing his regret over the inability of the Commission, after a week of meetings, to agree on the terms of reference for the Committee of Experts. Dodge explained his belief that the delay was due to the insistence of the Soviet Delegation that the scope of the Committee be limited to the finding of certain facts regarding oil properties in Austria alleged to be German assets. For the text of Dodge's statement, see Department of State *Bulletin*, June 1, 1947, page 1083.

CFM Files : Lot M-88 : Box 63 : Correspondence

The United States Representative on the Austrian Treaty Commission (Dodge) to the Assistant Secretary of State for Occupied Areas (Hilldring)

SECRET

[VIENNA,] May 28, 1947.

DEAR JOHN: This is word from one engaged in supposedly quadripartite negotiation which has actually been unilateral determination, so far.

I prepared the attached statement ⁷ which I have not yet used, which explains the situation. At an appropriate time I may use it. Probably soon.

Monday ⁸ was Whitsuntide and a holiday, so no meeting. Tuesday I was chairman and had a tough time to carry the meeting.⁹ The Soviets opened with oil and closed with oil. I finally got them on to

⁷ Not found attached to source text.

⁸ May 26, 1947.

⁹ Ninth Meeting of the Austrian Treaty Commission, May 27.

Article 42 and made our statement regarding it, thus fulfilling my commitment on these two articles. At that we adjourned in two hours with the only agreed agenda as comments on our paper, everyone refusing oil.

Today¹⁰ with Novikov in the chair we decided to let him sweat. With the others' comments on 42 finished, he proposed making a statement on the Bitumen Law, thus dragging in oil by the back door, and I chopped that down quick. Then I proposed returning to instructions to the Committee of Experts and he countered with oil. There were long silences. Adjourned at 11:20 a.m. with no agreed agenda. Nice business.

I think our record is good, except for accomplishment. We have made a series of proposals on instructions to the Committee, beginning the first day very generally and becoming more specific as the discussions proceeded. I even adopted the Soviet "typical concrete facts" on oil in more general terms and with a few additions for all German assets in our 4th proposal, supported by the UK and French. Later put in a list of facts (categories) illustrating our different views of Article 35. We got nowhere. He says oil, we say no.

Fortunately we are in a strong position—3 to 1—and I remind my colleagues how much better that is than if it was one of us alone against the other three.

I have gone on record that we were willing to prepare and submit a list of properties in the US Zone of Austria considered German. Also that we propose to live up to our commitments in Potsdam regarding German assets,¹¹ and follow the facts, when accurately and justly determined. We have the people here working on the lists and data.

The Soviets want an agreement on oil—period—and a bilateral agreement with Austria on everything else. All reports indicate that—intelligence and otherwise. Some of the Austrians think that is good. When I consider our experience here and elsewhere in quadripartite negotiation I think the Austrians are extremely naive and unrealistic.

If we let the Soviets get oil (exclusively) on the agenda of the Commission or the Committee, I am sure we will never get anything else on short of an agreement on oil. The Soviets may concede quite a bit to get an agreement on oil, to reinforce their legal rights. We will end up with an agreement on oil and a disagreement on everything else—including perhaps a discussion of nothing else—which will not be much assistance to the CFM.

¹⁰ Tenth Meeting of the Commission, May 28.

¹¹ Reference is to the renunciation by the United States and the United Kingdom to claims in respect of German foreign assets in Eastern Austria, Section IV, paragraph 9 of the Report on the Tripartite Conference of Berlin, August 2, 1945, *Foreign Relations, The Conference at Berlin (The Potsdam Conference)*, 1945, vol. II, p. 1506.

If we take oil to the Commission we practically scrap the Committee. If oil has first priority in either the Soviets can block discussion or agreement on anything else until oil is agreed on. It is the one thing they want most and at least in my view is the can opener to the rest. Before I let anyone consider oil I want to see them buy some of my goods.

This is not a procedural matter. It is the guts of the problem and the French and UK have the same belief. We won't even let them make a statement about oil or their position on it (and listen) because they will use it for propaganda purposes, we may not dare let it stand without an answer, and if we do answer we are in, up to our necks, with no way to get out without their consent.

Therefore, our position is oil, yes—but not first or only. Not *before* anything else and not the DDSG or other cases *after* oil. We must have agreement to discuss other important aspects—concurrently or simultaneously.

I will probably propose, if this stalemate goes on, to set this aside and proceed with other disagreed articles of the Treaty. If they still say no—oil first—they will have hung the Commission, the Committee and the rest of the Treaty solely on their demand for a settlement on oil before anything and everything else.

We may not have convinced them of much, but I am sure they are convinced we are far from easy or soft.

We have made many concessions, including discussion of 35 and 42 to no profit. We are not standing on our dignity or being stubborn. We are convinced if we give way to their demands on oil we are lost before we begin. We will work by it, I am sure, but it may take a little time.

Meanwhile we are getting all the information we can on German and UN nationals' assets from all available sources. That we can do, and we will try to come out with tripartite agreement on all or most of it.

Everyone here has been most cordial and cooperative. We like Keyes, Erhardt and the others very much. The men working with me are towers of strength and I am always sure of going into or through a meeting looking much smarter than I actually am.

Very Sincerely,

[JOSEPH M. DODGE]

CFM Files: Lot M-88: Box 63: Conversations

Memorandum of Conversation, by Walter Levy of the United States Delegation to the Austrian Treaty Commission

CONFIDENTIAL

[VIENNA,] June 3, 1947.

Present: Mr. Renner, President of Austria
Mr. Dodge

Mr. Ginsburg

Mr. Rankin, Counselor of the American Legation, Vienna

Mr. Oliver

Mr. Williamson

Mr. Levy

Lt. Colonel Pomeroy

On June 3 the US Delegation of the Austrian Treaty Commission was received by Mr. Renner, the President of Austria.

Mr. Renner welcomed Mr. Dodge and other members of the US Delegation and expressed his regret that due to an illness he had not been able to meet the US Delegation at an earlier date. Mr. Dodge expressed the pleasure of the US Delegation to meet the President of Austria, and conveyed his sincere wishes for the health of the President.

President Renner stated that he would like to use this opportunity to address a few words to the US Delegation. The Austrian people, the President said, are in a state of deep despair. Austria expects that the work of this Commission will result in the re-establishment of her political and economic independence. Such independence, however, could only be achieved if the State Treaty would allow Austria to become a viable state. Austria must now look to the future. Though the Austrian nation does not want to take away rights acquired by any of the victorious powers under Potsdam or any other agreement, the main question in which the Austrians are interested is whether the Austrian State Treaty will assure Austria's complete independence. After the first World War Austria was dependent on outside help and needed loans from the League of Nations and other sources. An independent Austria could now probably exist on her own resources due to the development of her oil deposits, of hydro-electric power, and the building up of industries. If left alone she could probably provide by exports enough foreign exchange to pay for needed imports of food and other materials. But the margin on which Austria could plan a self-supporting economy is a very, very small one and to be able to do so she must control her domestic resources and industries.

There is one very important fact which the President wants the Delegation to keep in mind. The Austrian Parliament will be called upon to approve the State Treaty. In his belief, no responsible party could agree to the Treaty if the economic and political independence of Austria would not be assured and if the economic conditions would not be such as to guarantee the creation of a viable state. It is essential under those conditions not to transfer the ownership of Austria's national resources and industries to the powers claiming reparations from German assets. Otherwise, part of Austria's economy would be

cut off and Austria could not carry out any commercial policy of her own or become really self-supporting. For instance, all of Austria's oil resources, her most important hard coal deposits, and her only glass factory are located in the Eastern Zone of Austria. No Austrian industry whose competition is not desired by the powers controlling the oil and coal resources of the country would be able to obtain coal for its power needs and oil for its transportation requirements. Any business negotiations with companies controlled by Russia would be very much different from ordinary negotiations with capitalists or foreign investors. The Austrian businessmen or the Austrian Government would be a very unequal partner in negotiations with the Soviet State.

President Renner continued that while it must be acknowledged that certain rights have been given the Four Powers under the Potsdam Agreement, these powers should not acquire title to the German assets in Austria. Instead, financial arrangements of the following character should be made between Austria and the reparation claimants. The Austrian State would issue a State loan and buy former German assets from the claimants who in the form of amortization for this loan would receive during a limited number of years a limited part of the output from the factories, plants and national resources which had been assigned to them under Potsdam. The Austrian Government would gladly help those countries in their reconstruction efforts by supplying them with goods from Austrian plants, provided that such supplies are limited in time and quantity. For instance, oil may be supplied to Russia over a period of say five years and amounting, as the case may be, during the first year to 30 percent of Austrian oil production and the second year to 25 percent and so on. But generally speaking Russia has enough oil in her own country and she has now additionally acquired the oil resources of Rumania and Galicia. Again Austria would be willing to supply timber and manganese ore to the UK or hydro-power to France. But as soon as possible those nations should develop their own resources and construct their own plants. Under no circumstances should they maintain permanent control over Austrian resources and industries as a result of the Postdam Agreement. The President felt he could not stress enough the Austrian position that resources and plants located in Austria must remain Austrian.

President Renner believed that in the past the Austrian negotiators have perhaps not been firm enough. Last Spring there existed some hope that it was possible to come to reasonable terms with the Russians by compromise and good will. This belief has been proved wrong. President Renner feels that in negotiations with the Russians one must be firm and insistent. His Party, the Social Democrats, and the

Peoples Party see eye to eye on all these major questions with the one possible exception of Austrian nationalization.

Mr. Dodge stated that the US Delegation is trying very hard to obtain agreement on the State Treaty in the Four Power Commission. Three of the powers he believes could agree, on the major issues, but the objections of one power prevent progress in the negotiations. The present delays are caused because the attitude of the US Delegation is that of firmness and insistence on certain basic principles which have not proved acceptable to the one other Delegation.

President Renner stated that it is not the policy of the US Government and not the attitude of the US, British and French State Treaty Delegations that cause him concern; he is deeply appreciative of the US endeavors to establish an independent Austria, but the despair of the Austrian people is such that a solution to all pending problems in line with his former statement must be found soon. Mr. Dodge replied that the US Delegation tries hard to advance the negotiations on the Austrian Treaty as speedily as possible. In this connection he would like to make one remark. There is (as Mr. Dodge understands) some belief in some circles that a bilateral agreement might succeed where Four Power negotiations have up to now failed. President Renner confirmed that some discussions in some circles may have indicated such hopes, but to him such negotiations seem to be comparable to negotiations between the fox and the hounds. Left to himself the fox would certainly have no chance. He trusts that the fox would not be deserted and would not have to meet the hounds alone. Mr. Dodge stated that this was also the opinion of the US Government.

President Renner expressed again his gratification to have met Mr. Dodge and the US Delegation and extended an invitation to meet them more frequently in the future and to arrange as soon as convenient an informal supper.

[WALTER LEVY]

CFM Files : Lot M-88 : Box 66 : Correspondence

The United States Member on the Committee of Experts of the Austrian Treaty Commission (Ginsburg) to the Counselor of the Department of State (Cohen)

[Extracts]

PERSONAL AND CONFIDENTIAL

[VIENNA,] June 12, 1947.

DEAR BEN: This is an interim report on what has happened in Vienna on the Austrian Treaty during our first month.

The Commission—now designated as the Austrian Treaty Commission—has conferred more than fifteen times in meetings which have

lasted from 2 to 5 hours. Unfortunately, we cannot report progress. The Commission began its work with the German assets question and has remained on that question; the Committee of Experts, established to obtain "concrete facts" regarding German assets, is not yet functioning on a quadripartite basis. The Soviets are just beginning to inch toward us from their initial position; the British are in London seeking new instructions; the French are modestly concealing their pride in a compromise which they formulated and which with reluctance we may be prepared to swallow.

Personalities

Proceedings in the Commission

Our initial effort was to put the fact-finding Committee to work immediately under terms of reference that would enable it to get such facts as each delegation regarded as relevant under its own definition of German assets. The terms of reference which we proposed provided first that each delegation should indicate what assets it regarded or had taken as German. We had two purposes in mind: (1) to ascertain the extent of the liability under the competing definitions, and (2) to guard against the possibility that an indefinite number of claims might be "discovered" in the future. After that, categories of assets were to be established by the Committee of Experts, cases placed within each category, facts determined, samples examined, principles agreed, and a definition or a list of "German assets", or both, formulated.

In this approach we were strongly supported both by the French and the British who independently had proposals of their own much along the same lines.

The Soviets took a different view. Although their emphasis and tactics have shifted from week to week, their objectives, in my judgment, have remained the same: (1) quadripartite agreement on oil (oil is of controlling economic importance to Austria; US and UK interests in oil are large; the Soviet legal position in much of Zistersdorf is weak); (2) a general definition of German assets in the treaty to cover assets other than oil; (3) unilateral application of the definitions; (4) bilateral negotiation of disputes.

They have sought to achieve these objectives by continued insistence that it is the responsibility of the Commission itself to reach agreement on all disagreed provisions of the treaty, including Articles 35 and 42; that the Commission should first define the precise areas of agreement or disagreement in the verbal formula; that the Commission should then begin a "practical discussion" of these disagreements

in the light of the facts of oil, and "after oil" other cases "including DDSG, insurance companies, and industry"; that if the Commission then disagrees or needs facts which are not available, it may (subject to Soviet veto) refer particular questions to the Committee.

To the US-UK-French position the Soviets reply that it is contrary to the CFM directive establishing the Committee. The reasons given are that lists and fact-finding are (1) "impractical" because of the large number of cases involved (of course it isn't too much of a job to identify all claims, and then to examine only the important ones; the Soviets merely choose to ignore our willingness to eliminate from Committee debate the unimportant or small cases); (2) in derogation of the Soviet concept of bilateral negotiation because it would establish the Committee or the Commission as "arbitral bodies". The Soviets, therefore, have consistently demanded that the Commission (not the Committee) discuss the disagreed provisions of Article 35 and the appropriate parts of Article 42 in the light of oil. They have also identified these aspects of the oil industry which they regarded as pertinent to our differences, and which should be discussed.

Our approach to the Soviet position has not been inflexible. (1) Bevin made it perfectly clear to Rendel that he wanted no more time wasted on formulae and that the essential purpose of the Commission was to provide a new approach—from the particular to the general, based on facts, instead of the reverse. We were similarly advised. Despite this background, we did agree to a general discussion of Articles 35 and 42 (in so far as those articles had any bearing on the work of the Committee of Experts) in order to accommodate Novikov. We spent three meetings focusing our differences and nothing came of it. (2) Novikov was suspicious of our broad general direction to the Committee to get concrete facts on German ownership of assets in Austria. We, therefore, revised our proposal to specify the nature of the facts we wanted, and the categories into which the cases might be arranged. He merely shifted his attention to other alleged defects in our approach. (3) We felt that the Committee should gather the facts first before the Commission discussed them—indeed, the Committee, we thought, had been established by the CFM for that very purpose. Nevertheless, Novikov insisted that discussion of facts begin in the Commission, not the Committee. We have indicated our willingness to meet him, although it may result in a merger of the functions of the Commission and the Committee. (4) Novikov consistently objected to the idea of telling the Committee or Commission what assets he regards or has taken as German. He argued that as a result of

Potsdam,¹⁴ the Harriman note of September 7, 1945,¹⁵ and Law 5,¹⁶ title to German foreign assets had passed to the Allies, so that the Soviets were free to decide for themselves which assets were German in Eastern Austria, just as the western Allies were free to decide which assets were German in western Austria. Because of Novikov's position, the French and British have dropped the idea of lists. To meet Novikov we have also indicated that, at the moment, we'll not press the point.

The Soviets seem to be giving way a little on their single proposal of May 14. They would infinitely prefer to discuss our differences as illustrated by the single case of oil, although they say that they are willing to broaden the discussion to include all important cases, provided the discussion is held in the Commission, and references to the Committee are carefully confined. We don't know yet if they're serious. If they are, we'll go along. This could hardly be viewed as a glorious accomplishment, but considering the character of the issues and the nature of the differences the result should probably be regarded as progress—at least as Lenin defined it. If the Soviets persist in their efforts to confine the work of the Commission to oil, we should probably move on to the other disagreed articles of the Treaty rather than give way. This development, if it occurs, would seem to mean that the Soviets are not prepared to join in an acceptable treaty, and that quadripartite agreement within the Commission, at this time, is impossible.

Austrian Attitudes

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Gruber and the Economic Planning Minister, Krauland (also of the People's Party), still hold the viewpoint indicated to our Delegation in Moscow. They regard a treaty as an imperative, and are willing to make almost any concessions to secure one.

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The essential elements of this position are withdrawal of the troops and an agreement by the Soviets that all properties will remain subject to Austrian Law, without extraterritorial rights of any kind.

¹⁴ For documentation on the conference of the heads of government of the United States, the United Kingdom, and the Soviet Union at Berlin, July 17–August 2, 1945, see *Foreign Relations, The Conference at Berlin (The Potsdam Conference)*, 1945, 2 volumes.

¹⁵ For a close paraphrase of the note under reference here, see telegram 1964, September 6, 1945, to Moscow, *Foreign Relations, 1945*, vol. III, p. 1283.

¹⁶ The reference here is to Allied Control Council for German Law No. 5, October 30, 1945, on the vesting and marshalling of German external assets. For an extract from the law, see Ruhm von Oppen, *Documents on Germany Under Occupation*, p. 85.

To the suggestion that the Soviets are neither impotent nor fools Gruber and Krauland reply that the Soviets will be in no position to retaliate. They will not march back because that would precipitate war and the Soviets would not risk overt warfare now. They cannot exert economic pressure directly because Soviet-Austrian trade is negligible. They will not apply economic pressure indirectly through the Soviet satellites because Austrian trade with these satellites, although substantial, is not decisive. That the Soviets will stimulate fifth column activities and may even precipitate civil war is true. But this the Soviets could do and probably will do in any event regardless of the treaty. Gruber and Krauland accept as an unhappy but indisputable fact the Soviet design to undermine Austrian independence and to subject Austria to Communist control.

But the Gruber-Krauland crusade for an immediate treaty is by no means universally supported. Not only do the Socialists reject the People's Party thesis, but the People's Party itself is divided, and the Austrian Government, as a coalition, is not committed. Some critics hint that the Gruber-Krauland viewpoint is myopic because of personal political difficulties—a quick treaty might be highly advantageous to Gruber and Krauland. But most Austrian criticism is based on the broader ground of national security. For example, the Socialists Renner and Shärf flatly reject the policy of a treaty at almost any price and insist that no treaty for a while is far better for Austria than a bad treaty. The Chancellor, Figl, also shares this attitude, and Figl is of the People's Party. Renner, whom I found appealing and impressive in the role of elder statesman and President, almost contemptuously rejected the Gruber-Krauland conclusion that Austria will be able to handle the USSR. He passed the matter off with a curt reference to the chicken and the fox. The Socialist program, given new emphasis by a recent series of newspaper articles inspired by Renner, calls for nationalization of the properties transferred at Potsdam; compensation in the form of bonds; with the transaction sweetened, if necessary, by "amortization" of the bonds through payments in kind from current production.

Underlying the positions of both the People's Party and the Socialist Party is a pervasive fear that Austria is approaching the breaking point; that it may pass that point if next winter is as bad as the last. The argument is simple and familiar: with the country divided into four zones and Vienna itself into four sectors, and with the occupying powers split into two hostile camps, Austria has fallen victim to big power political warfare. Reconstruction is impossible; indeed, if reconstruction were possible it would be because the Soviets

had failed in their purpose. The Communists, with four out of 165 seats in the Austrian Parliament, would have no chance whatever if reconstruction seemed likely.

The first three items on Austria's list of requirements are coal, coal and coal again. After that come food and raw materials. Even if the country were unified economically the costs of occupation are so heavy, considering the limited resources, that the prospects for rehabilitation—without outside assistance—are almost hopeless until a treaty is drawn and the occupation forces withdrawn.

Personal Conclusions (tentative)

1. The Soviet objective in Austria is domination and incorporation of Austria into the Soviet sphere of influence. I base this conclusion partly on the USSR's program and activities in Austria and neighboring countries during the past two years; partly on the positions the USSR has taken in the ACA and the Treaty Commission; partly on our intelligence reports, and partly on the judgment of our Legation observers and British, French and Austrian officials here.

2. Speedy political domination with the express or tacit consent of the western powers through the provisions of a peace treaty is, I believe, the maximum Soviet objective in Austria. Her minimum objective is to tighten her grip on the Austrian economy so that future political control becomes a realizable possibility. That the USSR will obtain material benefits from the ownership and control of German assets in Austria, as she defines them, is a factor of significance. But I think it is secondary to the desire for political power.

3. Our own objectives in Austria, as I understand them, are beneficent and limited: a free and independent nation with an economy at least adequate to support her people at a reasonable standard of living. This is a reflection of our good-will to a country presumably liberated, but it is also a matter of self-interest. Apart from the Greek-Turkey policy, Austria flanks Germany and commands the Brenner and other routes south to Italy and Trieste; geographically Austria is a deep bulge eastward—or westward—in the Stettin-Trieste line. With reference to U.S. owned interests we have sought only to protect them against discriminatory treatment. Those interests in any event are negligible compared with the nearly \$300 million we have already spent in Austria since VE Day. We are fully prepared to interpret the Potsdam Agreement in such way as to resolve reasonable doubts in favor of the Soviets. We also recognize that Austria in the future must live with the Soviets and

their satellites as neighbors, suppliers and customers, and that she must make her peace with them. We are aware that neutrality for Austria is an indispensable condition for survival.

I see nothing in our policy which conflicts with reasonable Soviet security interests or which otherwise should preclude the possibility of a settlement in Austria.

4. I believe that Renner, Figl and Shärf are more nearly right in their analysis of the treaty problem than are Gruber and Krauland. To leave Austria with the kind of treaty which the Soviets offer, or at the moment would accept, would be to abandon the country to Soviet control.

5. I am doubtful regarding Soviet intentions with reference to the Treaty Commission. Soviet actions until very recently were responsible for lack of progress, since every delegation other than the Soviet had indicated a willingness to negotiate in a true sense, and to compromise even what had been regarded as essential in order to achieve a moderately satisfactory or even a tolerable agreed report. This may mean that there was a genuine misunderstanding in Moscow as to the functions of the Commission and the Committee. (Cherrière is inclined to this view). Or it may mean that the USSR is simply stalling and regrets its decision to establish the Commission and the Committee. (Rendel is inclined to this view. He feels that the Soviets grabbed so much to which they are not entitled that, even apart from economic and political consequences, they would be acutely embarrassed and lose face by an honest fact-finding inquiry.) Finally, it may mean that although not stalling, the Soviets are in a hard bargaining mood. As an act of faith as much as of judgment, I choose to accept this view. Besides, I have already given away all of my Army equipment and all but one of my uniforms.

6. Since it is quite possible that the Soviets may not choose to participate fully in a quadripartite examination of the facts regarding German assets, we must redouble our efforts to secure them unilaterally. If the British and French are willing to exchange information and join us informally in the inquiry, so much the better.

8. If the Soviets would consider funding their ownership claims to German assets in eastern Austria, and accept bonds plus reasonable arrangements regarding payments in kind from current production, I believe it would be in our interest to support such a solution. (We might even consider a guarantee of the bonds if the burden of payments in kind are excessive.) However, I do not believe the Soviets will accept bonds, nor do I believe that Potsdam obligated them to do so.

9. Assuming a reasonable measure of recovery in Austria, I believe

that an acceptable treaty can probably be negotiated with the USSR within the next six to twelve months. Heretofore there have been many ultimatums and too little negotiation on all sides; we have, I fear, been somewhat unyielding and unimaginative in our approach to a treaty, and delay is bound to be the price of the suspicions and animosities we have aroused. There are many ways to skin a cat, and the least effective way is an unequivocal, if not insulting, demand that he skin himself.

The greatest danger in the situation is that we shall ourselves lose patience. By "we" I mean not only the Commission but more particularly the Department's policy makers and other official spokesmen. Clark's screams, for example, didn't help a bit; Soviet intransigence seemed particularly plain the day his remarks were headlined in Vienna. The "high State Department spokesman" in Washington who after the Hungarian coup told the American press (without consulting or advising us) that the Department was considering ending treaty negotiations also made quite a stir here. I have no doubt whatever that the Soviets are spending long hours trying to guess what U.S. intentions and policy really are. They think we're as well organized as we think they are; we're both wrong.

10. I have said that an acceptable treaty could probably be negotiated within the next six to twelve months if there is a reasonable measure of recovery here. Such recovery, I believe, is impossible unless we are prepared to provide Austria with the marginal economic support that will enable her to break the vicious circle that begins and ends with coal. If Austrians must go through another year of misery, the miraculous stability, which led most the entire population into two fairly moderate, democratic, political parties, will crack. (By "year" I don't mean twelve months—merely the reasonably near future.) If the Soviets, who in Austria are sponsors of disunity and impoverishment, foresee success for their policy, they will assuredly not yield on the vital elements of the treaty. They will yield only if despite their efforts conditions in Austria improve to the point where despair and hopelessness can no longer be used as a political lever. The power to sustain Austria economically through the next year or so lies not with the Treaty Commission but with the Department and the Congress. What we say or do in the Treaty Commission during the next few months is as far removed from the fundamental problems of Soviet plans and Austrian living standards as Washington is from Vienna. The Austrian politicians have made a bad mistake in looking to the Treaty Commission for relief, and promising the people relief if the Commission can reach agreement on an elusive problem having to do with something called "German assets". This is pathetically unreal. Relief can come only from increased supplies of coal, food and raw

material. And if these are provided, an acceptable treaty will also result as a matter of course.

As ever,

DAVID GINSBURG

CFM Files : Lot M-88 : Box 62 : CFM/ATC (47) Records of Decisions

Record of Decisions of the Twenty-First Meeting of the Austrian Treaty Commission

SECRET

VIENNA, June 18, 1947.

CFM/ATC(47) 21st Meeting

I. APPROVAL OF THE RECORD OF DECISIONS

It was agreed:

to approve the Record of Decisions CFM/ATC(47)20th Meeting.

II. FUTURE WORK OF THE COMMISSION AND OF THE COMMITTEE OF EXPERTS

The Commission had before them CFM/ATC(47)13.¹⁷ After discussion,

It was agreed:

- (1) to accept CFM/ATC(47)13 with amendments agreed by all Delegations. (Note: The agreed text of this decision is contained in CFM/ATC(47)15.¹⁸)
- (2) to include in the Record of Decisions the following statements by the US, Soviet and French Delegates in the course of discussion of paragraph 2 of CFM/ATC (47)13.

(a) *Statement by the US Delegate.*

"The US Delegation is of the opinion that five meetings appear to constitute a reasonable time for the initial consideration and discussion in the Commission of each subject enumerated in paragraph 2."

(b) *Statement by the Soviet Delegate.*

"The Soviet Delegation considers that all questions enumerated in paragraph 2 must be considered by the Commission and that discussion of each case must not exceed a reasonable time. However, the Soviet Delegation cannot, in advance, agree to any kind of time limitation for the discussion of each case in the Commission as it is provided in the statement of the US Delegate."

(c) *Statement by the French Delegate.*

"The French Delegation considers that five meetings constitute an approximate basis for the duration of the discussion of each of the subjects mentioned in paragraph 2, which time may be modified by facts."

- (3) to include in the Record of Decisions the following statement by the British Delegate during discussion of paragraph 3 of CFM/ATC(47)13.

¹⁷ Not printed.

¹⁸ *Infra.*

"The United Kingdom Delegate only accepted paragraph 3 on the clear understanding that this paragraph does not in any way preclude a reference of appropriate facts or cases to the Committee of Experts at whatever stage the Commission considers desirable."

- (4) to include in the Record of Decisions the following statement by the US and Soviet Delegates made after the acceptance of all amendments to document CFM/ATC(47)13.

(a) *Statement by the US Delegate.*

"The United States Delegate does not, in agreeing to this proposal, abandon his position with reference to the ultimate necessity for the submission by each Delegation of comprehensive lists of assets claimed or taken as German. His acceptance of this proposal is conditioned upon this reservation, and he requests that this statement be appropriately recorded."

(b) *Statement by the Soviet Delegate.*

"The request of the American Delegation regarding the submission by each Delegation of comprehensive lists of German assets in Austria is a violation of the Berlin Conference decisions and of subsequent agreements on the allocation of German assets.

"The Soviet Delegation in strictly adhering to the previously adopted joint decisions cannot agree to such requests."

III. AGENDA FOR NEXT MEETING

- I. Approval of the Record of Decisions.
- II. Discussion of the Question of Oil.
- III. Date of Next Meeting.

IV. DATE OF NEXT MEETING

Thursday, 19th June, 1947, at 1000 hours.

CFM Files : Lot M-88 : Box 61 : CFM/ATC (47) Documents

*Proposal Agreed Upon by the Austrian Treaty Commission*¹⁹

SECRET

19th June, 1947.

CFM/ATC (47) 15

FUTURE WORK OF THE AUSTRIAN TREATY COMMISSION AND THE COMMITTEE OF EXPERTS

1. During its examination of the unagreed Articles of the Treaty with Austria, including Article 35 and the appropriate parts of

¹⁹This proposal was agreed upon at the Commission's 21st Meeting, June 18, 1947. Telegram 519, June 18, from Vienna, not printed, reported that agreement on this proposal was facilitated by resort to the device of including interpretations of and statements regarding the wording of the proposal in the Commission's Record of Decisions (*supra*) (740.0011 EW (Peace)/6-1847).

Article 42, the Commission will at its forthcoming meetings begin discussion of the question of the basic types of German assets in Austria referred to in paragraph 2 and will in this connection examine the proposals of the different Delegations regarding those concrete facts which have important significance.

2. The Commission shall examine: the oil industry, Danube shipping, financial institutions (including insurance companies), industry and State property. The Commission shall carry out this examination in such a way as to ensure that the whole field of discussion is adequately covered and that the examination of one subject is not delayed by the unduly prolonged examination of any other subject. The order of initial discussion will be as set forth in this paragraph.

3. Unless the Commission otherwise agrees, after the discussion of Article 35 and the appropriate parts of Article 42 provided for in paragraphs 1 and 2 above, the Commission will refer to the Committee of Experts the questions relating to the establishment of concrete facts which, in the opinion of the Commission, require further study.

4. Those meetings of the Commission which are devoted to the examination of the basic types of German assets in accordance with the procedure set out in paragraphs 1, 2 and 3 above shall be closed sessions and no information will be issued to the Press unless the Commission shall decide otherwise.

740.0011 EW (Peace)/6-1947 : Telegram

The Secretary of State to the Legation in Austria

SECRET

WASHINGTON, June 25, 1947—6 p.m.

450. For Dodge and Erhardt. Pass to Keyes. Dept has studied urtels on meetings ATC to date in effort to obtain some light on Sov intentions as to conclusion Aust Treaty in next CFM meeting. Question in our minds is whether apparently cooperative attitude taken by Sovs in 7th, 11th, 15th, 16th, and 21st meetings (Legtels 424, May 21; 451, May 29; 464, June 4; 494, June 11; and 520 June 19²⁰) represents some effort to work toward agreement or tactics of deliberate obstruction designed, however, to lead us on and to escape onus for any possible breakdown in negotiations. If Sovs, in spite of occasional appearances of disposition to compromise, stand in future discussions on position taken in 17th meeting (Urtel 494, June 11) [*Urtel 498, June 13*²¹], what course in your opinion should US follow?

²⁰ None of the telegrams under reference are printed.

²¹ Telegram 498, June 13, from Vienna, not printed, reported that the Soviet attitude at the 17th Meeting of the Austrian Treaty Commission was a definite setback to the continuation of discussions on procedure to consider articles 35 and 42 of the Draft Austrian Treaty. The telegram read in part as follows:

In view this uncertainty re Sov intentions consideration being given here to following:

(1) Continued endeavor to achieve understanding at Vienna pursuant to decision of Four Powers at CFM meeting Apr. 24 and in keeping with trend of discussion in 16th meeting ATC.

(2) In any event preparation of case for consideration at next CFM meeting or for possible submission to UN. USDel would undertake this work at once by collecting supporting evidence in form of lists of properties involved, proof of ownership, circumstances of transfer, total value of properties according to different definitions assembled in cooperation with UK and French Delegations, with assistance of Aust Govt, and through work of CE to greatest practicable extent; problem of creditors' claims would also be investigated (on which separate telegram will follow). Appropriate publicity concerning reasons for stalemate might be advisable if certain nothing else can be accomplished in ATC.

(3) Transmission in near future of communication from Sec of State to Fon Mins calling attention to inability ATC thus far to give effect to intentions of CFM decision April 24 as understood by US and expressing hope such instructions may be issued to Delegations by their respective Governments as will facilitate the remaining work of ATC. If this step proves ineffective, recommendation might be made for appeal by President to Premier Stalin which would indicate our grave concern for delay in conclusion Aust Treaty and our intention to bring matter to UN in event Four Powers unable to complete negotiations on this subject.

(4) Last-ditch concrete proposal specifying (a) properties, rights and interests which would be recognized by US or by Western Powers as eligible for transfer to Sovs, conditions under which goods or profits might be exported therefrom and period during which this right would exist; (b) plan for redemption total value of such properties, rights and interests within Austrian capacity to bear; or (c) some combination of (a) and (b). Proposal would be made only after concurrence UK and French and might best be put forward as tripartite offer. In this final attempt to solve German assets problem through agreement Four Powers some concessions might be made in number and value of properties of doubtful ownership or in total capitalization on condition Sovs agree to forego status of extraterri-

"Dodge's statement at end of meeting summed up problem: Today's discussion confirms first impressions about Sov attitude which US rep had in last few meetings come to hope was erroneous. Sov Del demands, contrary to views other Dels:

- (a) that there be discussion on oil without any limitation on that discussion or any commitment to discuss other types German assets;
- (b) veto on cases and concrete facts to be discussed by ATC;
- (c) veto on order of consideration of basic types German assets;
- (d) veto on reference of work to CE.

Dodge added that if Sov proposal accepted after Novikov statements, ATC could be tied up so that nothing but oil could be considered." (740.0011 EW-(Peace)/6-1347)

torial character and/or accept plan for liquidation mortgage within Aust capacity to bear. Since our primary objective is to assure possibility of independent existence for Aust and to prevent future Sov dominance there, avoidance of special status for transferred properties is regarded as fundamental issue on which US cannot yield. If Sovs willing to accept offer within reasonable time as basis for settlement, it might be possible to draft at Vienna the terms of a final settlement satisfactory to all Delegations. Its rejection by Sovs on other hand would confirm Sov recalcitrance and render circumstances more favorable for action in UN.

(5) Submission of Aust question to UN in event ATC or CFM unable to do constructive work. While July 15 is Dept deadline for submission items for agenda September meeting of GA, proposals can be made until about Aug 20 for supplementary list and subjects may even be brought forward during GA which convenes Sept 16 but probably some deadline such as end of first week of GA meeting will be established. In any case approval of GA by majority vote is necessary for items to be accepted for agenda. If decision made to bring Aust question to GA, we might consider proposal by US of resolution establishing UN Commission of Inquiry on Austria comprising nine states other than powers occupying Austria to be selected by GA. Commission might be authorized, for example, (a) to study and make recommendations on unagreed parts of draft Treaty for Reestablishment of Independent and Democratic Austria; (b) to appoint one or more committees of experts to study particular aspects of outstanding issues; (c) to request advisory opinions of International Court of Justice on legal aspects questions involved. Commission might be asked to report its findings to GA within four months activation in order GA make recommendations concerning Austrian Treaty at special session to be convened within 30 days from submission of Commission's report.

While foregoing concerned chiefly with German assets problem there is no intention to neglect here, or for USDel to neglect in Vienna, importance other outstanding issues of Treaty. It is entirely conceivable Sovs might agree to settlement assets problem and later hold back on questions of frontier, displaced persons, or military clauses if it serves their interest at the time. We think therefore that any major concessions on our part with respect to Art 35 should be made contingent on resolution other chief issues.

Implementation of above program would require careful coordination throughout with UK and French representatives in Vienna. In connection with point 4 Dept also recognizes necessity of informal consultations with competent Aust authorities on specific aspects acceptable compromise settlement. Appreciate your comments in order USDel, Leg, and Dept concur on future course of action in light developments in ATC.

MARSHALL

740.0011 EW (Peace)/7-147: Telegram

The Minister in Austria (Erhardt) to the Secretary of State

SECRET

VIENNA, July 1, 1947—3 p.m.

561. From Erhardt and Dodge. Discussions to date in ATC do not permit definitive reply to Depts 450 June 25.²² Soviets have given no indication of ultimate intentions regarding satisfactory conclusion of treaty. Although situation has been clarified to extent that discussions are being held on oil industry to be followed by consideration of other categories of German assets (Legtel 520 June 19)²³ on basis of agreement at 21st meeting, such clarification was not achieved by any substantial measure of Soviet willingness to cooperate or compromise. Future procedure will remain unclear until present preliminary discussions on various categories German assets, particularly current discussions on oil, are completed and Soviets attitude with regard to consideration factual material on other categories of assets is ascertained. Similarly, future procedure will remain unclear until Soviets have definitely accepted or rejected references to Committee of Experts as agreed in 21st meeting.

While definitive reply to Dept's recommendations must be withheld pending completion of present phase of discussions, following preliminary comments may be made on work of ATC and future tactics:

Excellent opportunities for obstructive tactics are inherent in current discussions. ATC may assemble vast quantities of facts on various categories without arriving either at any clear-cut decision on treaty definition of assets or on list of properties to be regarded as German. Soviets may in addition dispute concrete facts or pick unimportant facts for disputation and thus prolong discussions indefinitely, blaming Western powers. If Soviets wish to delay, machinery of ATC will permit them to do so.

Soviets have not altered firm position on basic question of lists of properties to be regarded as German (Deptel 320 May 14²⁴) and continue to insist that Potsdam transferred title of German property in Eastern Zone to Soviet Union. U.S. position has been reserved on lists (Legtel 494, June 12; 520 June 19).^{24a} Difficult to see how present trend of discussions will cause Soviets to modify fundamental position on title unless far-reaching changes are made in Soviet policy regarding German assets as reparations in areas outside of Austria.

We agree that any concessions on Article 35 must be contingent on resolution of other chief issues in treaty. Discussions so far have

²² *Supra*.

²³ Not printed; it reported upon agreement on document CFM (ATC) (47) 15, June 19 reached at the 21st Meeting of the Austrian Treaty Commission; see pp. 598-600 for the text of the document and the Record of Decisions of the meeting.

²⁴ Not printed.

^{24a} Neither printed.

centered on Arts 35 and 42 and no consideration has been given to other unagreed arts. British willing to proceed to other arts (Legtel 498, June 13)^{24b} but Fr and Sovs apparently prefer to complete discussions on 35. Doubtful whether Sov Del in a position to reach agreement on other unagreed arts on basis of concessions on 35. For this reason, no firm concessions can be offered on Art 35 until preliminary discussion held on other arts. Fr reluctant to request Foreign Office for modification of position on Art 2 and military clauses until agreement on 35 in sight. It is probable that final survey and decision on all unagreed arts can take place only at CFM level.

Recommendations for future tactics regarding treaty can not be given until slow development of discussions has revealed Soviet intentions. Regarding specific points in Deptel 450:

1. We consider that discussions should be continued in ATC for time being and will make recommendations for termination later. Future Sov intransigence may make further discussion impossible. Will CFM meet in September? It should be borne in mind that tangible and periodic measures of friendliness as well as press campaign, will be necessary to allay Austrian feeling of hopelessness although such measures may not entirely prevent adverse political tendencies which may result from protracted and fruitless negotiations.

2. USDel has from first planned to have U.S. report based on concrete facts ready for next CFM meeting. If ATC should not obtain agreed reports, USDel proposes to seek UK and Fr concurrence with majority report. Should ATC break down, USDel will seek concurrent US, UK, Fr reports to respective ministers. Cooperation with UK Del and Austrian Gov in obtaining factual material has been informal but extensive. French Del prefers to operate alone.

3. As long as current discussions continue on basis of compromise proposal (Legtel 520 June 19) diplomatic approach outside of ATC machinery is not advisable. Diplomatic approach to Molotov would be desirable if Soviets give us clear and definite basis to charge that CFM decision of April 24 has been violated by refusing to discuss actual cases and concrete facts. In present discussions Sovs may drag out meeting by differing on facts or conclusions drawn from facts without giving foregoing basis for protest to Molotov. Presidential appeal to Stalin should be reserved until decision is made to refer case to UN.

4. Approach so far in ATC has been to examine factual situation with view to demonstrating fairness of US definition and that such terms as "duress" for example, do not conceal an intention to deprive Sovs of Potsdam rights. Conversely we wish to test scope of Sov definition both for possible agreement on Art 35 and for obtaining clue to future Sov objectives in Austria. Proposal outlined by Dept would be marked variation from present approach and if made here would probably not result in agreement, but would seriously impair use of USDel's factual conclusions at next CFM meeting. In event CFM agreement not obtained on basis of ATC factual material, such a last ditch proposal as Dept suggests might then be introduced in

^{24b} Not printed.

CFM. Re Dept's plan USDel preparing material on Austria's capacity to meet claims to German assets by other means than transfer of title to particular assets. In this regard Gruber has proposed an Austrian study of volume of goods or profits which might be exported to Sovs without impairing Austria's credit with US.

5. In view of foregoing we do not consider that Austrian case should be submitted to UN unless next CFM meeting fails to obtain agreement. Moreover, since April 24 CFM agreement established ATC and CE to report to CFM at next meeting, we do not understand how Austrian case can be referred to UNGA in September.

USDel will transmit a more definite estimate of situation after completion of present discussions on basic types of German assets.

Pass to War.

ERHARDT

CFM Files : Lot M-88 : Box 63 : Correspondence

The United States Representative on the Austrian Treaty Commission (Dodge) to the Assistant Secretary of State for Occupied Areas (Hilldring)

SECRET

VIENNA, July 21, 1947.

DEAR JOHN: Frankly, I see little likelihood of the Soviets agreeing to anything under present conditions—facts or no facts. What may happen in a month is speculative. There is a tremendous amount of technical material still to analyze, to brief, to discuss and report on. This data is important for the C.F.M. whether we reach agreement here or not. Novikov's family is reported just arrived and he is said to have taken a house out in the country for them. That suggests he is possibly planning a long stay.

For some time, it seems to me, we will be digging up facts, analyzing and briefing them. This may last another month. There is a large amount of work to be done particularly if it is done properly and completely. Our discussions could easily drag over well into September unless there is a definite break up or unless it just peters out.

Then there are summary reports to be written on each subject and recommendations to the C.F.M. It may well turn out to be advisable or necessary to leave at least part of the technical staff here for a month or more after the adjournment of the Commission to complete factual material and certain reports.

I have been at this now since May 12 (leaving Detroit May 5th), nearly three months (eleven weeks) and have attended all but one of our 34 meetings to date including the completion of our initial discussion of oil. Perhaps Novikov can stay until November but my personal commitments to the Bank and A.B.A. will not permit that.

Incidentally, Rendel²⁵ is slated to take his new post in Belgium on September 1st.

Both Ginsburg and myself expected to be able to leave here, at least early in August—three months would be August 12th. At this moment there appears little possibility of either of us doing that.

Neither of us want to do other than see the job through to completion, but the time element is a problem for both of us. Dave for his law business and me for the Bank and A.B.A. in which I am slated to become President at their annual convention, September 26, in Atlantic City—some convention preparations are necessary.

Both personally and for the Department I know Ginsburg is completely capable of continuing the Commission discussions and directing the work. In many ways more so than I am.

So what to do about it. My thought is to turn the work and the Commission over to Dave soon and return to the States for a few weeks. If the Commission breaks up or dies a natural death in that time, all right. If it comes to life in terms of the treaty I can come back when needed for a short time. Dave thinks he must get away close to September first.

[Here follow comments on personnel changes and needs in the Delegation to the Austrian Treaty Commission.]

I am going to try and book passage soon. The *Queen Mary* leaves on the 31st, the *America* leaves the 8th of August, the *Elizabeth* on the 9th, or a plane between these dates. Mrs. Dodge will stay here until I return or will return later with my son who is expected to arrive in Paris about August 2nd.

Very sincerely yours,

[JOSEPH M. DODGE]

740.0011 EW (Peace)/8-647

*Memorandum by the Director of the Office of European Affairs
(Hickerson) to the Under Secretary of State (Lovett)*²⁶

[WASHINGTON,] August 6, 1947.

Subject: Austrian treaty negotiations and US action in connection
Soviet seizures of United Nations property in Austria.

Discussion:

The Austrian Treaty Commission, established on April 24, 1947 by the Moscow session of the Council of Foreign Ministers, has been in session in Vienna since May 12. Its instructions were to examine the unagreed articles of the Austrian Treaty and to ascertain the concrete

²⁵ Sir George Rendel did not take up his post as British Ambassador in Belgium until November 1947.

²⁶ The source text is initialled by Under Secretary Lovett.

facts relating to the problem of German assets and United Nations property in Austria. The fulfillment of the instructions of the Council of Foreign Ministers has been made impossible by the policy of the Soviet representative who has consistently refused to consider the factual material presented by the other delegations as having any bearing on the rigid Soviet position that the Potsdam Agreement gave the Soviet Union the sole right to determine the nature and extent of German ownership and to dispose of German assets without the participation of the other occupation powers. The inability of the Treaty Commission to reach after protracted negotiations any form of agreement on a factual report to the CFM is adversely affecting the Austrian political situation and will in time threaten the entire structure of four power relationships in Austria.

The Soviet disregard for the Treaty Commission has now been emphasized by a seizure of industrial plants on the basis of claims on the Creditanstalt and the Lobau refinery while the status of these properties and the extent of United Nations ownership was being discussed by the Commission. This unilateral action can be interpreted only as a complete disregard of the CFM decision of April 24 and the entire purpose of the Treaty Commission.

Since continuation of the Treaty Commission in the face of the Soviet unilateral action would be on terms humiliating to the other participants and would contribute to the deterioration of the Austrian situation, action should be taken by the US to register its disapproval and to enable it to explore new means of solving the Austrian question. A suggested program is as follows:

1. The recall for consultation of Joseph Dodge, the US representative, and the dispatch of a note of protest through diplomatic channels to Molotov.

2. After discussions with Mr. Dodge, to arrive at a decision as to the future course of US action, for which the following alternatives are possible:

- a. Resumption of the discussions in the Treaty Commission if a satisfactory answer to the US note of protest is received from the Soviets.

- b. Reference of entire question back to the CFM as unagreed. The Austrian question would have to be placed on the CFM's agenda by interchange of notes through diplomatic channels.

- c. A tripartite diplomatic approach to the Soviets offering recognition of their title to a list of indisputably German properties in return for a guarantee that all Soviet owned enterprises will be fully subject to the operation of Austrian law. In addition, tripartite approval may be given to Soviet-Austrian negotiations on the status of disputed cases as well as consideration of a proposal for a lump sum settlement to be made by the

Austrians for all properties recognized as transferable. Such an alternative presupposes a successful completion of the work of the Treaty Commission in reaching an agreed report on the relevant factual material.

d. Reference by US, and possibly other states, of Austrian question to the General Assembly of the UN.

3. Discussion through diplomatic channels with the British and French concerning the next steps to be taken in the Austrian question in order to obtain concurrence prior to any announcement of a change in US policy.

Recommendations:

It is recommended that the Under Secretary approve the first step in the foregoing program and sign the attached telegram to Vienna ²⁷ recalling Dodge for consultation and the attached note ²⁸ to the Soviet Foreign Office protesting the Soviet unilateral action. A public announcement may be made on this incident after the arrival of Dodge and the delivery of the US note to the Soviet Foreign Office.

740.0011 EW Peace/8-847 : Telegram

The Secretary of State to the United States Representative to the Austrian Treaty Commission (Dodge) at Vienna

SECRET
NIACT

WASHINGTON, August 8, 1947—3 p.m.

615. For Dodge. Soviet seizure industrial plants for settlement alleged claims on Creditanstalt (Legtel 697 Aug 2 ²⁹) and Lobau refinery is regarded by Dept as unilateral action in disregard of CFM agreement Apr 24 concerning Austrian treaty by making impossible completion of work of ATC. Seizures of property falling within categories agreed for ATC discussion and involving UN interests when entire question is under consideration in ATC makes necessary a clarification both of Soviet objectives in Austria and intentions regarding future work and purpose of ATC.

You are therefore requested to return to Washington at once for consultation. You may announce at next meeting ATC that in view of Soviet unilateral action in seizure of properties and Soviet attitude

²⁷ Telegram 615, August 8, to Vienna, *infra*.

²⁸ The note under reference is included in telegram 615.

²⁹ Not printed; in telegram 733, August 12, from Vienna, Dodge reported that the seizure of Creditanstalt assets indicated as planned in Legation telegram 697 could not yet be confirmed. Dodge urged that American action regarding Creditanstalt not be related to any action that might be taken in connection with the seizure by Soviet troops of an Austrian oil refinery at Lobau on August 2. (740.0011 EW (Peace)/8-1247)

of indifference towards factual material presented by other delegations, US Govt has considered it necessary to consult you on the future work of the ATC. Your return should not disrupt further meetings of ATC at which Ginsburg may act as your deputy. Following announcement in ATC it would not be advisable for you to attend meetings prior to your departure from Vienna.

Following is text of note we propose to send to Soviets: ³⁰

"I am instructed by my Government to bring to your attention its views concerning the seizure by the Soviet authorities in Austria of the Oesterreichische Mineraloel Werke at Lobau. It is understood that the seizure was based upon the view of the Soviet Government that it is entitled to this property as a German external asset. This action was taken while the Austrian Treaty Commission, in accordance with the agreement of the Council of Foreign Ministers at Moscow on April 24, 1947, was considering the basic types of German assets in Austria in accordance with an agreed agenda which at Soviet insistence included the oil industry as the first topic of discussion. Moreover, during the initial discussion of the oil industry the United States Delegation pointed out that the refinery at Lobau is entirely owned by American and British interests.

"The United States Government regards the action of the Soviet authorities in Austria as inconsistent with the four power agreement of April 24, 1947, setting up in good faith the Austrian Treaty Commission to discuss these matters. The unilateral action of the Soviet authorities raises serious doubts whether the Austrian Treaty Commission will be able to achieve the objective set for it by the Foreign Ministers. These doubts are increased by the attitude of indifference of the Soviet representative towards facts regarding the ownership of properties in Austria presented in the Treaty Commission wherever these facts are in conflict with Soviet claims.

"The United States Government believes that it is entitled to an explanation of the Soviet action with respect to the seizure of the refinery properties at Lobau and requests that the Soviet Government not permit further steps of this character to be taken in connection with properties the ownership of which is currently under discussion by the Austrian Treaty Commission in accordance with its agreed agenda. The United States Government also desires a clarification of the intention of the Soviet Government in regard to collaboration for the early completion of an Austrian Treaty and the functions of the Austrian Treaty Commission in the fulfillment of this Allied objective.

"The United States Government would welcome an early reply by the Soviet Government in order that the United States Representative to the Austrian Treaty Commission may be given appropriate instructions. Pending the receipt of a reply, the United States Representative has been instructed to return to the United States for purposes of consultation.

³⁰ In telegram 733, August 12, from Vienna, Dodge suggested that the proposed note to the Soviets be delayed until the Soviet position could be further clarified or additional seizures of properties occurred.

"The United States Government reserves its rights with regard to the effect of this unilateral action of the Soviet authorities on the property interests in Austria of the United States nationals."

Your comments are requested most urgently before note is sent to Moscow. British and French will be consulted through diplomatic channels in Washington concerning next steps in connection with Austrian treaty after delivery of note to Soviets.

MARSHALL

CFM Files : Lot M-88 : Box 62 : Verbatim Minutes of Meetings

*Statement by the United States Representative to the Austrian Treaty Commission (Dodge)*³¹

SECRET

I am today delivering to each Delegate on the Commission a copy of the letter of Colonel General Kourasov to the U.S. High Commissioner, dated 2 August, and the reply of Lt. Gen. Keyes, dated 6 August.³²

These letters refer to the Soviet action in seizing the Lobau Refinery as a German asset.

Your attention is directed to the following: This property is located in an area of Austria which has been continuously under Soviet control for approximately two years. Until now the property apparently has not been claimed as a German asset. Some days ago Soviet troops occupied the property as a German asset.

This was done after nearly three months of meetings of the ATC, which was established to consider the facts regarding alleged German assets in Austria and to use these facts in coordinating the different viewpoints. The facts regarding the Lobau Refinery had been presented to the ATC for its information and consideration on 22 July by the US Delegation. The US Delegation advised the Commission at that time that it was of the opinion that the Lobau Refinery was not a German asset under the terms of the Potsdam Agreement.

In view of these circumstances, unless the refinery has been taken over under some theory of trusteeship, the action taken and its timing can only be regarded as a unilateral pre-judgment of the conclusions of the Commission and the Council of Foreign Ministers. Such action must then be considered in disregard of the function of the Commission, the nature of its discussions, and the views of other Delegates, and in utter disregard of the necessity for a cooperative settlement of a difficult problem.

³¹ This statement was made during the 43rd Meeting of the Austrian Treaty Commission, August 11, 1947. The source text is the draft verbatim transcript of that meeting.

³² Neither of the letters under reference here is printed.

Seizure at this time could only serve to establish direct control over a property which had been specifically named in the Commission as an Anglo-American interest, without in any degree resolving the legal and interpretative problems which had made necessary the establishment of the Commission. At best the action simply enlarged the degree of Soviet control over a property already in their possession. At worst it casts doubt on the good faith of the Soviet Delegation in its participation in the work of the Commission.

Editorial Note

In a statement made at the 47th Meeting of the Austrian Treaty Commission, August 18, 1947, United States Representative Dodge announced that he had been requested by his Government to return to the United States for consultation on the future work of the Commission. Dodge explained that the United States was concerned regarding the following conditions relating to the work of the Commission: Soviet unilateral action in seizing properties in Austria falling within categories agreed upon for discussion within the Commission; the general failure of the Soviet Delegation to collaborate in the provisions of the Commission; the Soviet insistence on reparations from Austrians and others. For the text of Dodge's statement, see Department of State *Bulletin*, August 31, 1947, page 423.

800.515/8-2247 : Telegram

The Acting Secretary of State to the Legation in Austria

SECRET
URGENT

WASHINGTON, August 22, 1947—5 p.m.

658. For Erhardt and Dodge from Acting Secretary. Kleinwaechter left Thursday by air for consultations his government. On Gruber's instructions Kleinwaechter before departure conferred with me and with Saltzman, Hickerson, and Riddleberger as to acceptability Austrian approach to Soviets on German assets problem to reach settlement by bilateral Austro-Soviet agreement.³³

³³ The memorandum by Riddleberger of his conversation with Kleinwaechter on August 19, not printed, described the Austrian approach as follows:

"The object of such a settlement would be to get the Soviet troops out of Austria. Dr. Kleinwaechter pointed out that the treaty negotiations so far had not produced this result and that Dr. Gruber considered that a bad treaty was better than no treaty provided the Soviet occupation forces were withdrawn. The Austrian Foreign Minister considered that his Government could control any Soviet-controlled enterprises in Austria and was confident that the Austrian Communists would not be a potential political problem. Dr. Kleinwaechter did not know precisely what the Foreign Minister would offer to the Soviets in the way of a 'deal' on the German assets question but believed that the offer would be based either on current Soviet claims or on a recognition of Soviet claims to ownership of assets already seized by their military authorities." (740.00119 EW/8-1947)

Dept's view is that conclusion separate Aust-USSR settlement of German assets problem in effect amounts to separate treaty, since German assets has become largest issue. Although negotiation of such separate settlement would mark deviation from quadripartite approach this Govt has attempted to follow since Yalta, Dept would have no objection in principle if in fact such *ad hoc* approach would clear up Austrian situation and obtain removal of all occupying forces from Austria. It was accordingly intimated to Kleinwaechter that proposed approach acceptable provided it resulted in agreement that (1) would be publicly approved in Austria, (2) did not impair Aust sovereignty, (3) would in fact get Soviet troops out of Austria, and (4) would not amount to giving away property interests US nationals. Under no conditions would Dept consent to bilateral settlement which left Soviets free to stay and postpone conclusion of treaty. Settlement must therefore be part and parcel final agreement on treaty which would go through.

There remain however serious questions as to timing such negotiations and suitability Aust approach before coming CFM, as well as terms of possible Aust-Sov settlement.

Believe Gruber was informed by USDel members that no advantage perceived in opening separate Aust-Sov discussions before coming CFM and disadvantage that this might easily prejudice further efforts Western powers. In view Gruber's record of collaboration with US, opening separate negotiations at this time would in all probability be interpreted as acknowledgment of US diplomatic defeat. We should prefer to make any final offers at settlement in CFM in accordance with mechanism set up at Moscow, and Aust Govt should carefully weigh whether it in better position to take initiative than Allied powers in CFM.

Re terms of any agreement in so far as they affected interests US nationals in oilfields, similar interests other UN nationals, and Aryanized properties, our position that if these are surrendered to USSR as so-called German assets, compensation must be provided. US public opinion would not sanction settlement in which Aust Govt gave away US property and would not continue to support current policy of generous material assistance. If the Sovs take position that compensation is matter for the Aust Govt to work out with the claimants, Aust Govt has not the wherewithal. On other hand, if the position is that compensation is matter for individual claimants to work out with Sov Govt, this amounts to substitution of debtors which no creditor obliged to accept. Dept considers that list of German properties must be closed once and for all, barring possibility Sovs raising additional claims in future. Thus in any bilateral negotiations it will not be

sufficient for Sov and Aust govts merely to work out settlement satisfactory to them, but must be also acceptable to US, UK, and Fr, which appears to be conditional upon provisions for adequate compensation, fair machinery for determination of individual claims, and cut-off date for Sov claims before any bilateral settlement will be confirmed by Western powers.

Suggest that these difficulties be pointed out immediately by Erhardt to Gruber before he undertakes any steps indicated by Kleinwaechter's inquiries. Dept can not make any commitment until Dodge has been consulted. Also assumed that Gruber would have full support of Socialist leaders, as well as Fr and Brit acquiescence, before taking action. Problem is sufficiently crucial that there should be maximum unity Aust Govt and Western states. It would be preferable for Aust Govt to stay out of bilateral negotiations altogether than to embark upon negotiations in which she is weaker party than the Western powers. The logic in Gruber approach apparently proceeds from conviction that situation is one which demands sacrifices, and Aust Govt in better position to make sacrifices or obtain lenient terms than Western powers. Dept skeptical on latter point.

In your opinion, are instructions to Kleinwaechter an indication that Gruber intends to proceed independently with offer to Soviets without further consideration of our position? Does current situation make Gruber's attempt necessary at this time from point of view of present Austrian govt?

Sent to Vienna as 658; repeated to Moscow as 1632, London as 3628, and Paris as 3145.

LOVETT

800.515/8-2847 : Telegram

The Minister in Austria (Erhardt) to the Secretary of State

SECRET
URGENT

VIENNA, August 28, 1947—3 p.m.

793. From Erhardt and Ginsburg.

1. (a) Substance Deptel 658, Aug 26 [22]³⁴ regarding Sov-Austrian bilateral negotiation German assets problem conveyed to Gruber by Erhardt in conference Aug 26. (b) Believe both questions last paragraph Deptel 658 should be answered in negative.

2. Before Aug 26 meeting Gruber had spoken separately with Dodge, Ginsburg and Erhardt in favor bilateral negotiations using following points as background:

³⁴ *Supra.*

(a) Some measure Sov-Austrian negotiation certain to be required under any form of treaty. Desirable, therefore, that Sov positions be tested now before conclusion of treaty.

(b) Easier for Sovs to make concessions to Austria than to US, UK and Fr.

(c) Austrians conducting studies now regarding extent German ownership results of which will shortly be available. Thus Gruber claims Austrians will have adequate technical background for such negotiation. In addition to technical judgment, Austrians could contribute flexibility to the negotiations which Four Powers not in position to provide. If Austrian information and maneuverability not used before London CFM meeting in all likelihood will not be used at all.

(d) Gruber's position as Foreign Minister requires he publicly exhaust every possible means for facilitating settlement. The Communist opposition, especially Fischer, allege in Parliament and in other public forums that should Gruber deal with Soviets he would have a treaty and his failure to do so is *prima facie* evidence he is under Western domination. He regards it as necessary, therefore, that he demonstrate he has taken positive action to solve problem. Furthermore, Gruber believes that when CFM meets in November Soviets may continue to say that question of German assets Eastern Austria should be settled bilaterally. This demand will be easy to answer, he asserts, if Austrian Government has already attempted negotiations and failed.

(e) Gruber feels political unity Austria gradually weakening as opportunities for political stability lost. During recent visit to French and US zones Austria Gruber noted sharp rise in separatist tendencies less emphasis on Austrian unity more emphasis on possible future association with Bavaria and Liechtenstein. In his judgment, if occupation prolonged, this trend will be accentuated.

3. We find partial merit in Gruber's argument but on balance conclude proposed bilateral negotiations premature and perhaps harmful for these reasons:

(a) ATC having completed study concrete facts begins negotiations Arts 35 and 42 Friday, Aug. 29. Quadripartite agreement not expected but will certainly be sought. Confusion certain if Austrians undertook negotiations before completion ATC discussions.

(b) Highly doubtful whether Sov Del ATC or Kiselev authorized in Vienna negotiations to compromise Sov positions major issues stated in Moscow. If Gruber did not succeed in reaching agreement US would be forced to rely in whole or in part on concessions and compromises which Sovs had rejected in bilateral negotiation.

(c) Gruber's eagerness to obtain treaty and failure adequately to appreciate full extent Sov demands suggest danger of *fait accompli* forcing US to accept unsatisfactory settlement. Extremely difficult for US reject settlement announced as acceptable to Austria and USSR after bilateral negotiations sanctioned by US.

(d) Two groups negotiating simultaneously bound give Sovs opportunity play one against other.

4. Necessity for prior Austrian cabinet approval any bilateral negotiations recognized here. Gruber may have difficulty securing Socialist consent to such approach. UK according to Mack opposed any Austrian-Soviet negotiation before CFM meeting.

5. Kleinwaechter stated he conferred with Gruber Tuesday morning 26 Aug, met with Erhardt and Ginsburg during afternoon. He reviewed Gruber's argument but indicated confidentially full appreciation dangers outlined para 3 above. Immediately after that meeting Erhardt met with Gruber pursuant to Deptel 658. Gruber cooperative and extremely anxious avoid any overlapping with quadripartite negotiations. Stated that basis of his position was need to focus issues before CFM meeting. Gruber in part suggested and readily agreed following program:

(a) Before making any approach to Sovs concrete proposal would be formulated, reviewed by Legation and USDel in Vienna, then transmitted for prior approval by Dept through Austrian Legation Washington. Erhardt further suggested without objection by Gruber that in order protect US position in CFM Austrian proposal should probably not go so far as USDel now prepared recommend.

(b) Austrian proposal would not in any way deal with UN property or Aryanized property. This is in accord with previous Erhardt-Gruber understanding which Gruber again confirmed.

(c) If details such proposal formulated and approved, timing of approach to Sovs will be jointly decided after completion ATC discussions.

(d) Decision on major issue whether bilateral negotiations appropriate would be postponed until conclusion ATC meetings and would depend in part on outcome of ATC and Soviet attitude as revealed during course of closing sessions.

ERHARDT

740.0011 EW (Peace)/9-2647: Telegram

The Minister in Austria (Erhardt) to the Secretary of State

SECRET

VIENNA, September 26, 1947—noon.

917. From Erhardt and Ginsburg. ReDeptel 751, September 20.⁸⁵

1. Do not believe termination ATC negotiations will have any substantial effect Austrian public opinion or local political situation. Govt circles and press have long discounted possibility any substantial agreement ATC.

In addition USDel has sought prepare ground for delay in settlement emphasizing wide current differences in Soviet and US attitudes and practical consequences to Austria of Soviet position.

⁸⁵ Not printed; it asked Erhardt for his opinion regarding the "effect on Austrian public opinion and political situation of termination of ATC negotiations." (740.0011 EW (Peace)/9-1547)

2. Do not believe termination will have any effect on Gruber's attitude toward possible bilateral negotiations. In our presence Gruber reiterated position Friday 19 September that under existing circumstances bilateral negotiation in interim period undesirable and should be reserved for London if stalemate there appears probable.³⁶

3. Substance Vienna statement if any for termination ATC will be sent Dept pursuant request. USDel suggest that proposed Dept statement be reviewed here for reasons indicated Deptel. Since Dodge in US, consideration now being given having statement made by him under Dept auspices. Understand Rendel proposes follow comparable course in London.

4. Suggestions requested last sentence Deptel will be sent later.

ERHARDT

740.0011 EW (Peace)/9-1547 : Telegram

The Acting Secretary of State to the Legation in Austria

SECRET

WASHINGTON, September 29, 1947—7 p.m.

782. Discussions have been held in Dept and with Dodge on procedure re Austrian treaty. Following steps have been agreed until meeting CFM Nov:

1. ATC discussions should be terminated at reasonable date. In view info urtel 863 Sept 15,³⁷ ATC work apparently will be concluded without diplomatic action. If any difficulties arise US will send notes to Brit, French and Soviets requesting termination discussions to prepare report for CFM in sufficient time for consideration prior to Nov meeting. If ATC ends of own volition Sept 23 sufficient time will be provided. Any agreement, however, for termination negotiations must be made in such a way as to prevent propaganda by Soviets against Western powers for breaking up discussions.

³⁶ On September 29, Austrian Minister Kleinwaechter called on Francis Williamson of the Division of Central European Affairs and stated that since his return from his recent trip to Vienna he had received a communication from Foreign Minister Gruber discussing the possibility of a direct Austrian approach to the Soviet authorities prior to the forthcoming meeting of the Council of Foreign Ministers. Gruber's desire to conclude a bilateral settlement with the U.S.S.R. was based on the apparent failure of the Austrian Treaty Commission to reach an agreement and the consensus in Vienna that no Austrian Treaty would be forthcoming at the Council of Foreign Ministers meeting. (740.0011 EW (Peace)/9-2647)

³⁷ Not printed; it read in part as follows:

"Firm time table termination ATC meetings not yet possible. ATC began re-drafting Article 35 today and will probably require four additional meetings this subject. Thereafter Article 42 and other disagreed articles remain to be considered. Do not now anticipate more than five meetings other articles. Rendel and Burin des Rozières leaving this weekend and all others restive. Hence, possible that ATC will end sessions during week of September 23." (740.0011 EW (Peace)/9-1547)

2. Between termination ATC and meeting CFM an offer will be made to Soviets to settle German assets question (Deptel 450 June 25³⁸). Present discussions in Dept envisage tripartite offer, in substance acceptable to Austrian Govt, through diplomatic channels with request that offer be considered and discussed at CFM meeting. In view of history of Soviet demands in four-power negotiations and actions in Austria it is not likely that Soviets will consider or accept any offer for lump-sum settlement which will involve complete withdrawal from their present controls over certain Austrian enterprises. Urgency of reaching agreement to permit withdrawal of occupation forces requires that any offer to Soviets be made on realistic basis in terms of their current policy. Dept is prepared to recommend to Brit and French that Soviets receive certain percentages in major enterprises which in tripartite view are indisputably German, taking into account for purposes of evaluation tripartite position on Aryanization, UN property, beneficial ownership, and physical distribution of assets. "Major enterprises" may be defined in course of negotiations as those contained in final categories discussed in ATC, but with agreed limitations as to value and extent of German ownership. Precise plan can be worked out after ATC factual material is available to Dept and after preliminary discussions with Brit and French. Soviets would be asked to guarantee in return that any interests transferred to Soviet ownership would be subject to Austrian law except for an agreed exemption from nationalization for a limited period of time. In addition, as part of offer provision would be made for lump-sum settlement with Soviets at specified amount in final satisfaction of remaining claims to German assets not covered in foregoing transfer of title provided methods of settlement are consistent with Austria's economic capacities to pay and safeguards are provided similar to those contained in the Italian Treaty concerning the payment of reparations. It will of course be made clear that any agreement on basis of this offer is contingent on satisfactory settlement other treaty issues.

3. If Soviets agree to discussion foregoing offer, Dept would be prepared in CFM to recommend that present form Art 35 be replaced by a general Art which would recognize rights of Potsdam claimants to German property in Austria; would provide that a special quadripartite protocol be concluded in satisfaction of these rights as annex to treaty, and that any properties or property interests allocated to signatory powers will be subject to Austrian law. Dept has further agreed to recommend that Austrian treaty be placed among first items CFM agenda.

4. In view of foregoing, consideration should be given to operations

³⁸ *Ante*, p. 600.

possible in Vienna prior to and following termination ATC. In addition to ATC report to CFM, you are requested to obtain a tripartite report or maximum tripartite approval for a US report, with Austrian concurrence, on which foregoing offer can be based. It is recommended that tripartite agreement be reached as far as possible on percentages in major Austrian enterprises which are indisputably German and eligible for transfer to Soviets, and that all other legitimate Soviet claims to indisputably German property be assessed in terms of their value. In addition, tripartite agreement and Austrian concurrence should be sought on Austria's capacity to pay such lump-sum settlement and means of satisfying Soviet claims without impairing Austrian economic security.

5. USDel's report to Dept should take into account possible lines of negotiation in CFM. It is suggested that USDel report should list and evaluate the following: German assets in Austria; shares of such assets to which each of four powers has a legitimate claim; list of enterprises or categories of enterprises in which concessions can be made with least damage to Austrian economy capacity and independence; what percentages of such enterprises might be transferred to satisfy Soviet claims without impairment Austria's economic or political position; an estimate of what the minimum and maximum Soviet demands are likely to be. It is assumed that USDel report will also include the voluminous factual material collected since May 12 which has not been presented in ATC papers.

6. The security aspects of this approach must be emphasized. In discussions with Brit and French extreme caution must be taken to prevent any leaks to the Soviets, particularly on maximum amount which may be offered. Any prior information which the Soviets may obtain would undoubtedly increase their demands or strengthen their determination to deal only on a bilateral basis with Austrians.

7. Dept. considers that foregoing approach has advantage in that it will retain for Western States initiative on treaty and will not enable Soviets to claim that ATC or any other body is arbitrating Soviet claims. This approach seems only one which in view of past negotiations may possibly elicit some favorable Soviet response. If response is not forthcoming, offer can be publicized as a reasonable and fair effort to obtain Soviet agreement, and Soviet refusal to consider would prove they are utilizing Potsdam to gain political control of Austria rather than German assets as reparations, thus strengthening case in possible future submission to UNGA.

LOVETT

740.0011 EW (Peace)/10-147

*Memorandum of Conversation, by the Assistant Chief of the Division
of Central European Affairs (Williamson)*

CONFIDENTIAL

[WASHINGTON,] October 1, 1947.

Participants: Mr. E. J. Barnes, Second Secretary, British
Embassy
CE—Francis T. Williamson
Coburn Kidd

Mr. Barnes brought to this division today a report from Michael Cullis, Acting Representative of the UK on the Austrian Treaty Commission, that David Ginsburg, Acting Representative of the US on the ATC, had shown him a private letter³⁹ from Joseph M. Dodge, US member of the ATC (who is now in this country), purporting to give the Department's plans for future negotiations on the Austrian treaty. Mr. Dodge intimated in his letter that, after the termination of negotiations in the ATC, a personal approach might be made to Vyshinski in New York to discuss the problems of the Austrian treaty and the possibility of a direct approach to the Soviet Union for settlement of Soviet claims to German assets; that after the conversation with Vyshinski a direct approach could then be made to the Soviet Government offering a lump-sum settlement, with a stipulated amount presumably to be paid by the Austrians, to satisfy Soviet claims to German assets. Mr. Ginsburg showed this letter to Mr. Cullis in order to obtain the official British reaction to this proposal. Mr. Barnes inquired whether or not the views expressed therein represented the official position of the Department.

Mr. Barnes stated that the UK emphatically opposed any approach to Vyshinski on this question but was very much interested in a diplomatic approach to the Soviet Government for a settlement of the German assets question. He stated that within the next few days the Foreign Office would make concrete suggestions to the Department for a possible solution to this problem.

I informed Mr. Barnes that the position of the Department on the future steps to be taken with regard to the Austrian treaty had been determined only within the past three days and therefore could not have been conveyed to Vienna in Mr. Dodge's personal correspondence with Mr. Ginsburg.

I further informed Mr. Barnes that within the next few days the Department likewise would make a precise proposal through diplo-

³⁹ Not found in Department files.

matic channels to the British and French Governments on the question of a direct approach to the Soviet Government, and that no personal approach would be made by any representative of the Department to Vyshinski on the question of the Austrian treaty.

[FRANCIS T. WILLIAMSON]

CFM Files : Lot M-88 : Box 61 : CFM/ATC(47) Documents

*Statement by the French Delegation to the Austrian Treaty
Commission* ⁴⁰

SECRET

[VIENNA,] 8th October, 1947.

CFM/ATC (47) 76

1. The French Delegation desires to submit to the Commission some observations on the lessons which they draw from discussion of Article 35 and on the attempts which could be made at a later date with a view to dissipating the differences of opinion.

2. The French Delegation regrets to state that the texts which we have decided to submit to the Council of Ministers do not, in relation to the texts studied at Moscow, represent an appreciable lessening in the differences in the points of view held on the definition of German property. On the contrary it appears that the study of concrete facts has led the various Delegations not only to strengthen their initial position in general but has led them further to adopt conflicting attitudes on the points raised in the course of such study and which were not mentioned in the texts at Moscow.

3. However, all the Delegations certainly desire, as does the French Delegation, to respect the Potsdam decisions and to find a solution which will recognise the extensive rights which this Agreement wished to award their Governments. But the main reason why our disagreements have persisted seems to be because the various Delegations based themselves on overall juridical principles which are in conflict the ones with the others and on which they can only with difficulty admit of compromise. It is also to be feared that renewed discussions in the Council of Foreign Ministers will not permit of a practical solution being found if discussions continue to be based on principles.

4. At the beginning of our meeting the proposal had been made that our difficulties should be solved by drawing up lists of German property subject to transfer rather than by drawing up defining principles. This suggestion was not accepted by the Commission and experience over the first three months seems to prove, in our opinion, that even if no procedural objection had been raised, the drawing up of

⁴⁰ This statement was made to the Commission at its 83rd Meeting, October 8.

agreed lists would have been rendered impossible by the fact that the various Delegations would, in taking a decision in each practical case, have had no other course open to them than to base themselves on principles which were themselves contested.

5. In the opinion of the French Delegation there still remains one possibility which should be explored in order to put the discussion on a different basis from that of either principles or lists. This possibility would consist in seeking agreement on the basis of figures, that is to say on the basis of the total value of German property up to the sum to which the Allied Powers are respectively entitled in the eastern and western zones of Austria. The experience of the peace treaties already signed in fact shows that figures may more easily lead to unanimous solutions.

6. Moreover, the most appropriate method of receiving reparations from Germany in accordance with the decisions taken at the Crimean and Potsdam conferences consists in receiving in kind products or equipment which may best contribute to the reconstructions of Allied countries impoverished by enemy occupation and by their own war efforts. This purpose would be better accomplished by the delivery of products from the Austrian economy than by making a levy on German property in their present form and situated in Austria which may not correspond to the reparations requirements of Allied countries. •

7. The French Delegation does not intend, however, to make a total estimate of German property in Austria nor to convert such property in toto into a claim which Austria would settle through trade deliveries made free of charge. In fact three reasons lead to employment of this method being limited:

(a) there may be undertakings or property which correspond exactly to the requirements of countries entitled to reparations;

(b) It is not certain that the economic situation of Austria during the next years will allow her to have at her disposal an export surplus corresponding to the total value of German property;

(c) finally the facts of making a direct levy on a certain amount of property in Austria may represent a useful guarantee that Austria will implement her obligations.

8. The French Delegation suggest, therefore, that the overall settlement of the question of German property could be based on a division of German property into two parts each of which would be treated differently: the first lot would form the subject of a direct allocation of property in Austria and the second would be the subject of a total evaluation and conversion into an Allied claim on Austria.

9. In the first lot oil undertakings and Danube shipping could be included. In the case of each of these two categories the French Dele-

gation contemplate a special settlement which would consist in awarding to the Allies clearly defined property or rights thus leaving aside the relevant disputed questions—on the one hand the question of making a levy of shares or assets and on the other hand the question of debts attaching to such property.

10. As far as oil is concerned the special settlement offers an additional advantage because of the fact that the rights of exploitation possessed by German companies whatever one's opinion as to their validity may be were granted for a limited period of time, in general for five years, a period of time which in any case must already have expired or must soon expire. In order that reparations may be substantial there would be an advantage in obliging the Austrian Government to grant further concessions for a longer period. Leaving aside any question of retrospective discussions both the contribution made by Germany to the development of the oil industry and the possibilities offered by possession of the plant could be taken into account when laying down the scope of such concessions.

The French Delegation therefore contemplate a solution on the following lines:

(a) The Soviet Union would receive full possession of the plant and boring and extracting equipment which belonged to German companies at the end of the war;

(b) Concession rights to prospect and exploit bituminous products would be granted to the Soviet Union, taking into account in particular old or new rights to the equipment and plant. The duration of such concessions would be laid down according to the precedents employed in similar cases, and the undertakings created to exploit such concessions would, of course, be guaranteed against nationalisation during the whole period of such concessions;

(c) The provisions concerning the oil rights of other United Nations would be the subject in Article 35 or in Article 42 or in a special appendix of additional provisions dealing with the oil question in general.

11. As far as the D.D.S.G. is concerned the settlement could be based on the geographical situation. The Soviet Union would receive its share out of the holdings of the Company in Hungary and out of the ships which were on the Lower Danube at the time of Germany's capitulation. The claims of the other Allies would be satisfied out of the remainder of the D.D.S.G. property: This company would be obliged to cede a certain number of ships to powers whose river fleets have suffered losses as a result of the D.D.S.G. using their ships during the war.

12. The second big lot of German property to be treated in a different manner would correspond to all other categories of German property, that is to say to claims, state property and all undertakings

which would not be the subject of the special settlements contemplated above. As regards this second lot, the settlement would be based on an *ad hoc* principle and on the principle that the Allied claim would be commercialized. It could with profit be based on the provisions laid down for the settlement of reparations owed by Hungary, Italy, and Germany's other satellite powers. Separate *ad hoc* settlements would, of course be laid down for the two parts of Austria mentioned in the Potsdam Agreement.

13. The amount of the *ad hoc* settlement should, in the case of the Soviet Union on the one hand, of the United Kingdom, United States and France on the other, correspond in principle to the value of German property in the second lot and situated in the relevant part of Austria; more precisely, in order to take into account the fact that the special settlements provided for above in the case of oil and the D.D.S.G. may include awards higher than the value of rights recognised as being validly German, it would correspond to the total value of German property in the said zone, less the value of property and rights forming the subject of direct awards to interested powers or groups of powers under the heading of oil and D.D.S.G.

The French Delegation does not intend to estimate the value of such an *ad hoc* settlement by means of analysis, by adding up the value of German property of each type, for such a procedure would inevitably cause to re-appear those differences of definition which it is intended precisely to avoid. They propose rather that a figure should be taken for Austria's total debt which would be comparable to those figures which were written in to the other treaties as reparations and that claims already satisfied by the special solutions for oil and the D.D.S.G. should be taken into account. They consider that such a figure represents a solution which would be acceptable as a basis for discussion as compared to the figures which would result from the application of our various formulae.

14. The method by which Austria will pay off her debt should then be laid down: The French Delegation consider that the two following methods of delivery could be contemplated:

(a) Products taken from Austria's current production, the types and amounts of which would be laid down by means of agreements concluded between the interested governments and Austria.

(b) Plant, industrial equipment designed for the manufacture of war material in excess of the requirements of the Austrian Army, as deriving from the military clauses of the treaty. Article 26 could, if necessary, be renewed in order to permit of these awards being made.

The time limit laid down for such deliveries could be from 8 to 10 years and the question may be asked whether it would not be appropriate to provide that deliveries of articles from current production

should commence only on the elapse of a certain period of time after the coming into force of the treaty so that the Austrian economy may have recovered its normal stability.

15. It goes without saying that the eliminations of all German influence in Austrian economy remains one of our prime objectives. The Treaty should therefore impose on Austria the obligation of terminating within a fixed period of time the liquidation of all German property not directly seized as reparations. A quadripartite commission should, in our opinion, control the discharge by Austria of this obligation.

16. The French Delegation consider that if the previous solutions are upheld it should be easy to reach an agreement on the disputed points of Articles 35 and 42 of the Treaty.

(a) it would no longer be necessary to lay down an overall definition of German property;

(b) the problem of transfer and of the application of Law No. 5 would lose all importance and a simple reference to the decisions of the Berlin conference would suffice;

(c) possible disputes at the time of the coming into force of the Treaty would be so restricted that it would be unnecessary to lay down or to exclude an arbitration provision;

(d) the problems as to the status and application of Austrian law instead of being theoretical in character would easily be settled by means of hard and fast solutions adapted to the oil undertakings and to the D.D.S.G.;

(e) finally all conflict between entitlement to reparations and the interests of United Nations or of minority groups would disappear and an agreement should easily be reached on the clauses of Articles 42 and 44 which lay upon Austria the obligation to re-establish the legitimate interests of each.

17. The French Delegation desire to stress the fact that in their opinion the solution they propose is a single entity, the various parts of which are inter-dependent and balance each other. Without excluding the possibility of introducing modifications which the other Delegations might propose, they consider that such modifications should not be of such a kind as to upset the balance of the proposal on a whole.

18. If the proposal of the French Delegation is accepted in principle, the wording of Article 35 could be discussed on the basis of the text which is given as an appendix ⁴¹ to this statement.

19. The French Delegation do not conceal the fact that since their proposals approach the problem of German property from a new angle, it may be necessary for the other Delegations to undertake

⁴¹ The French Delegation's draft text for article 35 of the Austrian Treaty is not printed.

studies which would exceed the time remaining to the Treaty Commission for the accomplishment of its task. They do not request, therefore, that the Commission should discuss these suggestions; they only desire that the present statement should be included in the official documents of the Commission and take the liberty of requesting the other Delegations to draw the attention of their Governments to these proposals so that they may be able to determine their decision before the meeting of the Council of Ministers.

740.0011 EW (Peace)/10-1347

*The Austrian Foreign Minister (Gruber) to the Acting United States Representative to the Austrian Treaty Commission (Ginsburg)*⁴²

[VIENNA,] October 9, 1947.

DEAR MR. GINSBURG: With reference to our conversation regarding an offer of the United States to the Soviet Union for the purpose of solving the problem of German assets on a practical and economic basis, I have the honor to communicate to you that I had occasion in the meantime to talk to my colleagues, particularly Chancellor Figl, Vice-Chancellor Schaerf and Minister Krauland. At that occasion special mention was made by one of the group that with regard to the oil question it would be necessary to make it clear that future concessions should extend only to the oil bearing area located in the Eastern Zone, and not the Graz basin or the region of Wels. Furthermore, the terms production, exploration and refinery ought to be defined as clearly as possible and also the regional limits of the enterprises in question in the Eastern Zone of Austria ought to be clearly determined. Aside from this desire for precision the following proposal would appear to constitute a workable solution from the Austrian point of view.

There would be transferred to the Soviet Union :

- (1) 50% of the production capacity of oil
50% exploration
50% refinery, all located in Eastern Austria
- (2) Physical assets of DDSG in Eastern Austria, Hungary, Rumania, Bulgaria and Yugoslavia.
- (3) 5 to 10 of the more important industrial enterprises in which there is a predominant German ownership interest.

It should be made clear in all cases that the transferred enterprises remain subject to Austrian laws in every respect. Exceptions would be possible only in the matter of nationalization legislation by a re-

⁴² The source text was contained in telegram 1024, October 13, from Vienna, not printed.

nunciation of the Austrian State to exercise its right for a period of 18 months, or possibly for a somewhat longer period. Only in the case that otherwise an over-all solution would fail should the assurance of a transfer of net profits under clearly defined terms either in foreign currency or goods be considered as a possibility.

(4) The entire remaining claims of the Soviet Union should be liquidated by shouldering a total Austrian obligation of \$100 million to be redeemed within a period of 8 to 10 years in accordance with a definite plan. This should be done similar to Article 74 of the Italian peace treaty regarding reparations by stipulating payment in "value added by manufacture". In any case it should be avoided that any kind of dispute concerning the question of pricing goods could arise later.

With respect to the question of banking transactions for the Soviet Union, you might be interested to learn that according to a statement by the Vice Chancellor Soviet representatives are reported to have entered into negotiations with the management of the Laenderbank.

GRUBER

740.0011 EW (Peace)/10-1047 : Telegram

*The Acting United States Representative on the Austrian Treaty Commission (Ginsburg) to the Secretary of State*⁴³

SECRET

VIENNA, October 10, 1947—8 p.m.

URGENT NIACT

1012. From Ginsburg. Following statement proposed to be issued on termination ATC, noon, Saturday, 11 October. Carefully reviewed with and approved by Gruber. Designed to supplement Dept state-

⁴³ An earlier, shorter draft of the statement contained in this telegram had been transmitted in telegram 978, October 7, from Vienna, not printed (740.0011 EW (Peace)/10-747). Telegram 817, October 9, to Vienna, not printed, stated that the Department considered that the indictment of Soviet tactics in the Austrian Treaty Commission as set forth in Ginsburg's draft statement ought to be reserved until there was a clarification of Soviet intentions as gauged by the reaction by the U.S.S.R. to a concrete offer on German assets. Until the negotiations in the forthcoming meetings of the Council of Foreign Ministers revealed whether the Soviet Union was willing to compromise on the Austrian treaty, the Department doubted if it would be useful to place in the public record the United States positions and the Soviet demands on specific points of disagreement. The Department preferred to release to the press the statement already prepared in Washington (740.0011 EW (Peace)/10-947).

Telegram 832, October 11, to Vienna, commented as follows on the proposed statement by Ginsburg contained in this telegram:

"Dept regards this as excellent analysis of specific demands USSR re outstanding issues Austrian Treaty which should be kept in reserve for possible future use in building up US or tripartite case before world opinion if later developments make this advisable." (740.0011 EW (Peace)/10-1147)

ment⁴⁴ by providing factual basis for reasons why agreement has not been reached. Most of such material released by US delegation during past months but total estimates are new:

“Statement by David Ginsburg, acting US representative, Austrian Treaty Commission, October 11, 1947.

After 85 sessions over a period of nearly five months the Austrian Treaty Commission adjourns today without four-power agreement on any of the major unresolved issues in the Austrian Treaty. Once again the central questions which prevented agreement were the amount of ‘foreign assets’ to be transferred as German reparations under the Potsdam Agreement, and whether such assets shall have extra-territorial status under Austrian law. These questions, with others, now go for decision to the Council of Foreign Ministers meeting in London on November 25.

The US regards as the outstanding accomplishment of the commission the accumulation by each delegation of a vast quantity of detailed information regarding the former German ownership of assets in Austria. As a result, each delegation now knows with reasonable accuracy what the several competing formulas or definitions would transfer in terms of specific properties. The concrete facts accumulated by the commission, and the clarification of issues resulting from its long discussions, will undoubtedly speed consideration of the problem by the Foreign Ministers at their forthcoming session.

Throughout the conference three delegations almost always managed to find a common basis for agreement. From the viewpoint of these delegations, therefore, a survey of the reasons for disagreement necessarily becomes a survey of positions taken by the fourth delegation—the Soviet delegation.

I. GERMAN ASSETS

A. *Extent of Soviet claims.*

There is nothing difficult or technical in the so-called German assets problem, nor is there any mysterious reason why four-power agreement has not yet been achieved. The heart of the problem is the matter of amount. Soviet claims, in the opinion of the US delegation, are unbearably excessive—far more than was awarded at Potsdam, and far more than a free Austria can afford.

The following are conservative US estimates of Soviet demands:

1. *Oil*: Two-thirds of Austria’s entire oil production; one hundred percent of its oil reserves; three-fourths of Austria’s refining capacity.

2. *Danube shipping (DDSG)*: All barges and other DDSG property located in eastern Austria, Hungary, and elsewhere in Soviet reparation areas. This represents about three-fourths of the property of the DDSG company.

3. *Industry*: Complete or partial ownership of nearly 300 individual plants in eastern Austria, including: Most of the larger

⁴⁴ Regarding the Department statement under reference, see the editorial note, *infra*.

iron and metal fabricating plants in eastern Austria; the majority of Austria's important machinery plants; most of Austria's heavy chemical plants; the largest textile mills in eastern Austria; Austria's only plate glass factory; Austria's largest steel construction companies; half of Austria's capacity to produce optical and precision instruments.

Concretely these claims against Austrian oil, Danube shipping and industry means: About one-half of all industry in eastern Austria; between two-thirds and three-fourths of all industry in eastern Austria, other than food and textiles; industrial enterprises employing about 50,000 workers or nearly one-third of all industrial employees in the Soviet zone.

4. *Banks and insurance companies*: One-fourth of all German shareholdings in banks and insurance companies or, in the discretion of the USSR, a proportionate share of the assets of these companies.

5. *Creditor claims*: The USSR regards as German assets all debts which Austrians owed to Germans at the end of the war but refuses to take into account debts which Germans owed to Austrians. So far as can be ascertained, the Soviet delegation demands for itself more than a billion Austrian schillings, even after allowance is made for uncollectable claims.

6. *State property*: The USSR regards as German assets all property owned by the German Reich at the end of the war, except such assets as were already in existence and owned by the Austrian Govt before the annexation. This includes (for all of Austria) nearly 200,000 hectares (500,000 acres) of land; supplies for and the road beds of super-highways; public buildings such as customs houses; numerous smaller pieces of property and the substantial investment made by Germans in the Austrian railroads. No allowance is made for the fact that these Austrian natural resources and properties were largely paid for by the Germans with funds collected as taxes or borrowed from the Austrians.

B. *Nature of Soviet claim.*

With respect to all of these claims the USSR insists on the transfer of assets free of liabilities. In the case of a German-owned house in Austria subject to a mortgage, for example, the Soviet delegation claims the house itself but refuses to pay the mortgage. The Soviets thus demand as German assets far more in fact than the Germans owned. In substance this means that reparations would be exacted by the USSR from all those who extended credit on the security of German assets in Austria.

In the case of banks and insurance companies this means that Austrian depositors and policy holders would be required to pay heavy reparations since the USSR claims the assets of their institutions free of all obligations.

Similarly, in the case of all other corporations, the USSR asserts that the transferable reparation asset is either the stock itself or a proportionate share of the company's tangible properties, as the USSR may choose, free of all liabilities.

Under the Soviet position United Nations nationals would also be forced to pay reparations since assets in eastern Austria held by corpo-

rations organized in Germany are treated by the USSR as German even if all the shareholders of the corporations are non-German.

The first victims of Nazi persecution, persons of Jewish faith, would be required to pay reparations to the USSR on behalf of Germans, since the USSR demands the right to retain all Jewish property if 'any' compensation was received by the former owner.

Austria's natural resources in the form of oil and natural gas in undeveloped reserves would also somehow be transmuted into 'German external assets', since the USSR claims all German acquired rights for 'the development of natural resources'—even though such rights were acquired by the Germans during annexation and without payment.

C. *Value of Soviet claim.*

The value of German assets claimed by the Soviet delegation in Eastern Austria is estimated by the US delegation at more than dollars 700 million.

D. *Applicability of Austrian law.*

Although the USSR has stated that it is prepared to operate reparation assets under Austrian law, it has nevertheless demanded: (a) permanent immunity from any form of nationalization (without regard to compensation which may be provided); (b) permanent and substantial exemption from Austria's foreign exchange and export controls through complete freedom to export 'profits or other income in the form of production or foreign exchange'. The Soviet delegation has advised the commission that this means freedom to export either net or gross profits, in the form of goods or money, as Soviet administrators may see fit.

E. *Settlement of disputes.*

Disputes relating to every other topic in the treaty are ultimately subject to some form of arbitration. Nevertheless, the Soviet delegation has advised the commission that with respect to disputes regarding German assets it insists on 'bilateral negotiation' with the Austrian Government and will not accept arbitration.

II. SOVIET MONETARY CLAIMS

In addition to its claims regarding German assets the USSR demands that Austria pay for all relief supplies and services delivered to it since liberation, and further insists upon 600 million Austrian schillings in exchange for German reichsmarks acquired by the USSR on the entry of the Red Army into Austria.

III. YUGOSLAV REPARATION AND TERRITORIAL CLAIMS

The Soviet delegation also supports a Yugoslav claim for dollars 150 million of reparations from Austria, despite an agreement at Potsdam that reparations would not be exacted from Austria.

The USSR further supports a second Yugoslav Government claim for a border adjustment which would transfer the Slovene-Carinthia area of Austria to Yugoslavia. This area has a population of about 180,000 people.

IV. OTHER RESTRICTIONS ON AUSTRIA

Apart from reparational and monetary claims, the USSR insists that the military forces permitted to Austria be armed with 'weapons and technical equipment of national manufacture'. This would prevent Austria from purchasing armaments abroad and would require her to divert resources badly needed for reconstruction into the rebuilding of an armaments industry, the destruction of which is now being completed.

The USSR has further joined the French delegation in demanding that Austria be prohibited from possessing various types and quantities of industrial machines and products, conducting research in specified fields, manufacturing numerous listed items, etc., in order to prevent 'German' rearmament.

V. TREATY GUARANTEES

Finally, the Soviet delegation believes it is unnecessary to include the following article in the treaty:

'Article 2—Preservation of Austria's independence

1. The Allied and associated powers declare that they will respect the independence and territorial integrity of Austria as established under the present treaty.

2. The Allied and associated powers shall oppose any action, in any form whatsoever, that may threaten the political or economic independence or the territorial integrity of Austria, and in event of such threat will consult with one another and with the appropriate organs of the United Nations with regard to appropriate action.

The agreed preamble of the treaty recites that in the Moscow declaration of 1 November 1943 the Governments of the USSR, the United States and the United Kingdom, and later of France, affirmed their wish to see Austria reestablished as a free and independent state. Article 1 of the treaty, which is also agreed, expressly affirms that Austria is recognized and reestablished 'as a sovereign, independent and democratic state'. The United States believes that if present Soviet claims are accepted, Article 1 of the treaty would automatically be nullified.

It is evident that the gap between the USSR and the other Allies is wide. Nevertheless, in the view of the US delegation, after a most careful consideration of the facts, this gap is not unbridgable, assuming, first, willingness to join in a treaty, and second, willingness to make some steps toward compromise. If a treaty is not desired, the German assets problem will readily lend itself for use as a pretext to avoid agreement. And if positions taken and rejected both in Moscow and in Vienna are again reaffirmed in London, it is equally clear that agreement will not be possible. The facts would not permit it.

The United States has repeatedly offered to negotiate a settlement which would be bearable to Austria and yet generously satisfy the Allied obligation to transfer to the USSR German foreign assets in Eastern Austria. At the end of the Vienna Conference, and on the eve of the London meeting of Foreign Ministers, it once again renews that offer."

[GINSBURG]

Editorial Note

In a statement issued to the press on October 11, 1947, the Department of State took note of the end of proceedings of the Austrian Treaty Commission, reviewed briefly the establishment, terms of reference, and activities of the Commission, and concluded with an expression of regret over the undue delay in reaching agreement on the outstanding points of difference in the Austrian treaty. The statement also reaffirmed the hope of the United States of obtaining an Austrian treaty at the earliest possible date on the basis of the work done by the Commission and the intention of the United States to make every effort at the forthcoming meeting of the Council of Foreign Ministers in London to resolve the remaining outstanding issues regarding the treaty. For the text of the statement, see Department of State *Bulletin*, October 19, 1947, page 767.

CFM Files : Lot M-88 : Box 61 : CFM/ATC Documents

Report by the Austrian Treaty Commission to the Council of Foreign Ministers

SECRET

11th October, 1947.

CFM/ATC(47)77

1. The Council of Foreign Ministers in Moscow on 24 April 1947 decided: to establish a Commission of representatives from the U.S.S.R., the United States, the United Kingdom and France, to be charged with the examination of all questions of the Austrian Treaty⁴⁵ which remained unagreed; in addition, it was decided that the Commission would include a Committee of Experts to give special consideration to Article 35 and the appropriate parts of Article 42 and to establish concrete facts. The aim of the Commission was to coordinate, if possible, the points of view of the Allied Governments which were represented on it.

2. The Commission, which was in session from 12th May until 11th October 1947, held 85 Meetings, in the course of which it considered all the disagreed points in the Draft Treaty with Austria. In the course of its study of the question of German Assets, the Commission undertook the examination of the different types of German Assets and a number of concrete cases relating to these types. The Committee of Experts, established by the decision of the Council of Foreign Minis-

⁴⁵ For the complete text of the Draft Treaty for the Reestablishment of an Independent and Democratic Austria as it emerged from the discussions at the Fourth Session of the Council of Foreign Ministers, March 10-April 24, 1947, at Moscow, see document CFM (47) (M) 82, March 29, 1947, and the emendations and annotations thereto, p. 516.

ters, was charged with the examination of the case of the Erste Donau Dampf Schiffahrts Gesellschaft (D.D.S.G.).⁴⁶

3. In the course of the study of the various questions adopted by it for discussion, the Commission examined the documents submitted by the four Delegations, a list of which is attached as Annex "A" of this report.

4. The Commission received two notes, dated 30th September and 5th October 1947, from the Political Representation in Austria of the Federative Peoples' Republic of Yugoslavia, requesting a hearing. A copy of each note, together with a copy of the reply are attached as Annex "B" of this report.⁴⁷

5. Results of the consideration by the Commission of disagreed questions concerning the Austrian Treaty appear in an order corresponding to the order of the Articles in the Draft Treaty.

Representative
of the Govern-
ment of the
United States
of America on
the Austrian
Treaty Commis-
sion

Representative
of the Govern-
ment of the
Union of Soviet
Socialist Re-
publics on the
Austrian Treaty
Commission

Representative
of the Govern-
ment of France
on the Austrian
Treaty Commis-
sion

Representative
of the Govern-
ment of the
United Kingdom
on the Austrian
Treaty Commission

DAVID GINSBURG

N. P. KOKTOMOV

P. R. P. CHERRIÈRE

M. F. CULLIS

TEXT OF DISAGREED ARTICLES OF THE DRAFT TREATY FOR THE RE- ESTABLISHMENT OF AN INDEPENDENT AND DEMOCRATIC AUSTRIA

[*Editorial Note:* All footnotes and notes to this document appear in the source text.]

ARTICLE 2

Preservation of Austria's Independence⁽¹⁾

(¹) Soviet Delegation considers this Article unnecessary.

[1. The Allied and Associated Powers declare that they will respect the independence and territorial integrity of Austria as established under the present Treaty.]⁽²⁾

(²) Proposal by United States Delegation. United Kingdom and French Delegations will accept this paragraph in order to obtain agreement.

[2. The Allied and Associated Powers shall oppose any action, in any form whatsoever, that may threaten the political or economic

⁴⁶ The United States Delegation notes that the Committee of Experts met only four times. [Footnote in the source text.]

⁴⁷ The Yugoslav request for a hearing, not printed, was discussed by the Commission at its 78th, 79th, and 81st Meetings, October 2, 3, and 6. Only the Soviet Delegation fully supported the Yugoslav request. In its reply to the Yugoslav Political Representative, the Austrian Treaty Commission stated that it had been unable to reach agreement regarding the Yugoslav request which the Commission was referring to the Council of Foreign Ministers.

independence or the territorial integrity of Austria, and in event of such threat will consult with one another and with the appropriate organs of the United Nations with regard to appropriate action.](³)

(³) Proposal by French and United States Delegations.

ARTICLE 5

Frontiers of Austria

[The frontiers of Austria shall be those existing on 1st January 1938.](¹)(²)

(¹) Proposal by United Kingdom, United States and French Delegations.

(²) The Soviet Delegation regards as well founded the proposals of the Yugoslav Government concerning the reuniting of Slovene Carinthia with Slovenia (which is part of Yugoslavia), and regarding the Slovene frontier districts of Styria as well as with regard to the conferring of a special status on the Burgenland Croats, ensuring their national rights, as proposed in the Yugoslav memorandum which was submitted to the Council of Deputy Foreign Ministers in London on 22nd January, 1947.

ARTICLE 16

Displaced Persons [and Refugees](¹)

1. Austria undertakes within the period determined by the Allied Commission for Austria to take all necessary measures to complete the [voluntary](¹) repatriation of Displaced Persons [and refugees](¹)

(¹) Proposal by the French, United Kingdom and United States Delegations. within its territory.

2. Austria undertakes to render full assistance to the Allied and Associated Powers concerned in regard to the [voluntary](¹) repatriation of their nationals and [may](¹) [shall](²) enter into direct

(²) Proposal by Soviet Delegation.

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 centres allotted to Displaced Persons now in Austria to visit [freely](³) such camps

(³) Proposal by Soviet and French Delegations.

or centres for the purpose of conferring with its nationals;

(b) to prohibit in such camps or centres 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", "centres" and other similar](²) organisations existing in those camps and centres that may be found to be engaged in activities opposed to the interests of the Allied and Associated Powers;

(d) to prohibit the recruiting of Displaced Persons [and refugees]⁽¹⁾ into military or para-military organisations [such as

⁽¹⁾ Proposal by French, United Kingdom and United States Delegations.

security detachments and guard units]⁽²⁾.

⁽²⁾ Proposal by Soviet Delegation.

(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]⁽¹⁾ the same rights in all respects as those normally accorded to non-Austrians who have been legally admitted into Austria.

[5. Neither Austria nor any international organisation allowed to function on Austrian territory shall give any relief to persons who for hostile reasons refuse to accept help from the Government of their country and refuse to return to their native country.]⁽²⁾

6. This Article shall be applied without prejudice to the provisions of Article 11 of the present Treaty.

[7. No Displaced Persons or refugees who have expressed objections to returning to their countries of origin and who do not come within the provisions of Article 11 of the present Treaty, shall be compelled to return to their country of origin.]⁽⁴⁾

⁽⁴⁾ Proposal by United States Delegation, acceptable to United Kingdom Delegation. The French Delegation is not opposed to the inclusion of this paragraph but wishes to point out that it would be superfluous if the word "voluntary" was included in paragraphs 1 and 2 of this Article. The Soviet Delegation objects to the inclusion of this paragraph.

ARTICLE 17

Limitation of Austrian Armed Forces

1. The maintenance of land and air armaments and fortifications shall be closely restricted to meeting tasks of an internal character and local defence of frontiers. In accordance with the foregoing Austria is authorized to have armed forces consisting of not more than :

(a) A land army, including frontier guards, anti-aircraft troops, gendarmerie and river gendarmerie with a total strength of 53,000.

(b) An air force of 90 aircraft including reserves, of which not more than 70 may be combat types of aircraft, with a total personnel strength of 5,000. Austria shall not possess aircraft designed primarily as bombers with internal bomb carrying facilities.

(c) These strengths shall in each case include combat, service and overhead personnel.

2. Austria undertakes not to re-establish any military installations or fortifications which were destroyed in accordance with the instructions of the Allied Commission for Austria.

3. The number and size of aerodromes should correspond strictly to the tasks of the Austrian air force and to the requirements of civil aviation.

[4. The Austrian armed forces, enumerated in paragraph 1 above, will be armed with weapons and technical equipment of national manufacture.](¹)

(¹) Proposal of Soviet Delegation opposed by United States, United Kingdom and French Delegations.

Note: Comparison of the texts revealed that the words "of Austria" appear at the end of the Soviet text of paragraph 3.

ARTICLE 26

Disposal of War Materiel of Allied and German Origin

1. All war materiel of Allied origin in Austria shall be placed at the disposal of the Allied and Associated Power concerned according to the instructions given by that Power.

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 materiel of German or other non Allied origin;

in so far as they relate to modern war materiel, all German and Japanese drawings, including existing blueprints, prototypes, experimental models and plans; all war materiel prohibited by Article 21 of the present Treaty;

all specialised installations, including research and production equipment, prohibited by Article 21 [and 27] (¹) which are not con-

(¹) Proposal by French Delegation, with which the Soviet Delegation agrees. The United States and United Kingdom Delegations oppose this proposal.

vertible for authorised 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.

2. 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 France with a list of the war materiel and installations enumerated in paragraph 1.

3. Austria shall renounce all rights to the above-mentioned war materiel.

[4. Austria shall not manufacture, acquire or possess, either publicly or privately, or by any other means, any war materiel of German or non-Austrian origin or design.

This does not forbid the use of such restricted quantities of war materiel of German or other non-Allied origin or design remaining in Austria after the Second World War as may be required for the

creation of the Armed Forces authorised by Article 17 of the present Treaty.](²)

(²) Proposal by Soviet Delegation, which is opposed by United States, United Kingdom and French Delegations.

[Austria shall not manufacture any war materiel of German design.](³)

(³) Proposal of United States Delegation, with which the French and United Kingdom Delegations agree.

Note: Comparison of the texts has revealed that in the French and Soviet version the words "all war materiel prohibited by Article 21 of the present Treaty" figure in a separate clause not grammatically connected with the preceding clause and which may thus give rise to a difference of substance.

5. A definition and list of war materiel 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.] (¹)

(¹) Proposal by French Delegation, with which the Soviet Delegation agrees. The French Delegation, whilst adhering in principle to its position, is ready to reexamine certain points of detail in the Annexes III, IV and V when Article 27 is under discussion by the Council of Foreign Ministers in London. The United States and United Kingdom Delegations oppose the inclusion of this paragraph and its annexes.

3. Austria shall not employ or train in military or civil aviation or in the experimentation, design, production or maintenance of war material:

persons who are, or were at any time previous to 13th March, 1938, nationals of Germany;

or Austrian nationals precluded from serving in the Armed Forces under Article 18;

[or persons who are not Austrian nationals.](²)

(²) Proposal by Soviet Delegation, opposed by the French, United Kingdom and United States Delegations.

ARTICLE 34

Reparations

[The Allied and Associated Powers declare that they will advance no claims for reparation from Austria on their own behalf or on behalf of their nationals arising directly out of the war or out of actions taken because of the existence of a state of war in Europe after 1st Septem-

ber, 1939, whether or not the Allied or Associated Power was at war with Germany at the time.](¹)

(¹) Proposal by United Kingdom and United States Delegations, supported by French Delegation. The Soviet Delegation suggests consideration of the proposals of the Yugoslav Delegation, set out in documents CFM(D)(47)(A)10, CFM(D)(47)(A)75, and CFM(47)M/143, relating to its reparation claims against Austria and proposed hearing the Yugoslav Delegation.

ARTICLE 35

German Assets in Austria

(Proposal of Soviet Delegation)

1. Austria recognises that the Soviet Union, the United States, the United Kingdom and France have the right to all German Assets in Austria transferred by the decision of the Berlin Conference on 2nd August, 1945, to the Soviet Union insofar as Eastern Austria is concerned, and to the United States, the United Kingdom, France and other countries insofar as Western Austria is concerned, and undertakes to adopt all necessary measures to facilitate the transfer of such assets.

If, on the date when the present Treaty comes into force all German Assets in Austria have not passed into the actual possession of the Allied or Associated power which has the right of ownership in such property, then the Allied or Associated power concerned shall notify the Austrian Government not later than six months after the coming into force of this Treaty, as to those German Assets in Austria, belonging to it but not yet taken, which it has decided to take into its possession. The Austrian Government undertakes to adopt all necessary measures to facilitate the transfer of these assets. In the absence of such notification the Allied or Associated power concerned will be regarded as having renounced its right of ownership in assets in respect of which notification has not been made, with the exception of German Assets in Austria the existence of which has been kept secret.

2. All German Assets in Austria, as defined in Law No. 5 of the Control Council for Germany, pass into the ownership of the Four Powers:

(a) those which were such as at 13th March, 1938;

(b) those transferred to Germany, German nationals, and companies after 12th March, 1938, by way of purchase and sale either from Austrian owners or from firms or nationals of the States which were former Allies of Germany, and also from neutral States and from the United Nations and their nationals, except in cases where the transfer of such property was a result of the direct application of force;

(c) all rights newly acquired by German firms and private persons after 12th March, 1938, to develop the natural resources of the

country, and all enterprises which arose or were developed after that year by way of German investments.

State property transferred to Germany by the fusion of state institutions shall be returned to the Austrian State. Communal and other property, belonging to communities or to Austrian nationals, and transferred to Germany and to German nationals without any compensation by the fusion of credit, communal or other institutions or by Aryanisation shall be returned to the owners who possessed it before the *Anschluss*, or to their heirs. Voluntary transfer and increase of capital furnished by German investments will in this case form an exception.

If the compensation fixed by the Germans was used to pay special Jewish and emigration taxes, then the property shall be regarded as having been acquired by the Germans without any compensation.

3. In those cases where German assets consist of leases, such rights shall be considered as having been transferred to the Allied or Associated Power concerned as of 8th May, 1945. In this connection the unexpired terms of such leases shall be reckoned from the effective date of transfer, according to Austrian law, of these rights to the Allied or Associated Power concerned.

4. All former German assets transferred to the ownership of the states indicated in paragraph 1 shall not be subject to requisition, confiscation and in general any form of compulsory alienation without the consent of the owner state.

Enterprises constituting German Assets will function in accordance with Austrian legislation provided that Austria shall not obstruct the export of profits or other income in the form of production or foreign exchange.

Claims in respect of liabilities in connection with the above-mentioned German Assets incurred before the transfer of such assets to the ownership of Great Britain, France, U.S.A. and U.S.S.R. may not be presented to the new owners.

5. Disputes which may arise in the application of the provisions of this article shall be decided on the basis of bilateral negotiations between the parties concerned.

N.B.: This translation represents in part a re-translation of those portions of the Soviet draft which also figured in the original Soviet Draft of 24th April, 1947; e.g. the phrase "direct forcible action" is now retranslated as "the direct application of force".

ANNEX TO ARTICLE 35

Distribution of German Assets in Austria

(Proposal by Soviet Delegation)

1. German assets in Austria shall be divided as follows:

(a) All German assets situated entirely in Eastern Austria are the property of the Soviet Union;

(b) All German assets situated entirely in Western Austria are the property of the United States, the United Kingdom, France and other countries entitled to reparations from Germany;

(c) In cases where a German asset consists of an interest in an undertaking located partly in Eastern Austria and partly in Western Austria, the physical property of such an undertaking in proportion to the amount of the German interest in the undertaking, shall belong to the Soviet Union if located in Eastern Austria and to the United States, the United Kingdom, France and other countries if located in Western Austria;

(d) In cases where a German asset consists of a creditor claim against a juridical person whose property is located partly in Eastern Austria and partly elsewhere in Austria, such creditor claim shall be divided in proportion to the values of the physical assets of the debtor which are located respectively in Eastern Austria and elsewhere in Austria.

2. (a) Eastern Austria means the Zone of Austria and Sector of Vienna occupied by the Soviet Forces in accordance with the "Agreement on Zones of Occupation in Austria and the Administration of the City of Vienna" dated 9th July, 1945, and Western Austria—the remainder of Austria, excluding the *Innere Stadt* of Vienna.

(b) A German asset located in the *Innere Stadt* of Vienna shall be regarded as though it were located 25% in Eastern Austria and 75% in Western Austria, with the proviso that if a corporation in which German capital participated is situated in the *Innere Stadt* of Vienna and has an interest in undertakings whose property is situated outside the boundaries of the *Innere Stadt* of Vienna, then such property shall belong proportionately to the Soviet Union if located in Eastern Austria, or to the United States, the United Kingdom, France and other countries if located in Western Austria.

(c) The location of a German asset which consists of an interest in an undertaking shall be regarded as the place or places where the physical property of the undertaking is situated.

ARTICLE 35

German Assets in Austria

(Proposal of the French Delegation)

1. (a) Austria recognises that the Soviet Union, United Kingdom, United States of America and France, have the right to dispose of all German assets in Austria in accordance with the decisions of the Berlin Conference of 2nd August, 1945, and agrees to take all necessary measures to facilitate transfer of these assets.

1. (b) The Powers having the right to dispose of German assets in Eastern and Western Austria respectively, shall notify to the Austrian Government within six months from the date of entry into force of the present Treaty, all assets which they consider as German in virtue of the provisions of this article. Such notifications shall be officially published by the Austrian Government in the month of their reception. In the absence of such a notification for a specific German

Asset, the Powers concerned shall be considered as having renounced their rights to that asset unless they can prove that in consequence of a deception the notification could not be sent within the abovementioned period.

2. For the purposes of the present Article the term "German Assets in Austria" denotes all assets in Austria which on 8th May, 1945, belonged to Germany or to German Nationals and which:

(a) belonged to Germany or to German Nationals on 12th March, 1938;

(b) or were properly acquired after 12th March, 1938, by Germany or by German Nationals, either by transfers of assets which previously belonged to non-German Nationals, or by new investments of German capital.

3. (a) The following shall not be included by the term "German Assets in Austria" within the meaning of paragraph 2 of the present Article:

(i) The assets of the Austrian State, of Austrian communal Authorities, of the Austrian National Bank, and Political, Trade Union or Welfare Organisations which were transferred to the German State or to German Nationals as a result of the annexation of Austria, as well as State or communal property established or acquired after 12th March, 1938, and utilised for the normal peace-time needs of Austrian public services.

(ii) The assets the transfer of which was carried out in connection with measures employed by Germany against physical or juridical persons considered non-aryan.

(iii) The assets the transfer of which was carried out without the free consent of the owner and full compensation and those acquired in such a manner to exclude the rights of non-German Nationals.

(iv) The assets acquired by new German investments in undertakings, insofar as the property rights in these undertakings, had been previously acquired by Germany or by German Nationals as a result of the measures indicated in points (i), (ii) and (iii) above, as well as the assets acquired by a later transfer to German Nationals of such undertakings or their assets.

(v) The assets subject to restitution, to restoration of property rights or to transfer in application of the provisions of Articles 36, 42 and 44 of the present Treaty.

(b) In cases where Germany or German Nationals in carrying out an acquisition within the meaning of sub-paragraphs (a) (ii) to (v) of this paragraph, actually paid compensation or actually invested new capital of German origin, the amount of compensation or new capital shall be considered as a credit constituting a German asset in Austria within the meaning of the present Article.

4. (a) The Soviet Union will have at its disposal all German assets situated in Eastern Austria. The United States of America, the United Kingdom and France will have at their joint disposal all the German assets situated in Western Austria.

(b) For the implementation of this paragraph :

(i) If an asset consists of shares or of other property rights in a company, association or other juridical person, it will be considered as being located in Eastern or Western Austria in proportion to the value of the material assets of this company, association or juridical person as they were located on 8th May, 1945. However, in the cases of banking institutions, the basis of division will be the total of deposits as they existed at the date of 8th May 1945 in the branches and subsidiaries situated respectively in Eastern and Western Austria; and in the case of insurance companies, the basis of division will be the amount of premiums corresponding to risks to persons and property residing or located respectively in Eastern or Western Austria on 8th May, 1945.

(ii) If an asset consists of a creditor claim, it will be considered as being located at the domicile of the debtor as established on 8th May 1945, or, in the case of a company, as being located at the *siège social* of the debtor company.

(iii) The term "Eastern Austria" applies to the Zone of Austria and to the sector of Vienna occupied by the Forces of the Soviet Union in accordance with the provisions of the Agreement on Zones of Occupation in Austria and Administration of the City of Vienna, dated 9th July 1945; and the term "Western Austria" applies to the Zones of Austria and to the parts of Vienna occupied by the Forces of the United States of America, of the United Kingdom and France in accordance with the provisions of the above-mentioned Agreement.

(iv) If a German property or physical assets belonging to companies, associations or other juridical persons in which German property rights exist, are located in the international sector of Vienna (1st *Bezirk*) they shall be considered as located as to 25% in Eastern Austria and as to 75% in Western Austria.

5. The Allied Powers having a right to German assets in Austria under the terms of this Article will receive these assets such as they existed on 8th May, 1945, with all rights and all the obligations that were attached to them as of that date. These assets will be subject to Austrian Law in all respects, with the following reservations :

(a) Austria undertakes not to treat in a discriminatory manner, either in law or in deed, the assets transferred to the Allied Powers as German, particularly in so far as the regulation of foreign commerce and exchange is concerned.

(b) Austria undertakes not to requisition nor to nationalise these assets and not to order forced alienation of them in any form whatsoever.

ever for a period of eighteen months after the effective date of this Treaty without the consent of the interested Allied Power, nor after this period of delay without full and complete compensation.

6. (The French Delegation does not present a paragraph concerning the settlement of disputes, because it considers that Article 57 of the Treaty is applicable to such differences without special mention being necessary here).

7. For the purpose of this Article the term "German Nationals" applies:

(a) To physical persons who possessed German Nationality on 8th May, 1945, other than those who acquired that nationality through the incorporation of a territory into the National Socialist German Reich, and to those persons who were authorised by any one of the Allied or Associated Nations to reside freely in their territory during the period included between the entry into war of such Power against Germany and 8th May, 1945.

(b) To companies, associations or other juridical persons the *siège social* of which was located, on 8th May, 1945, within the borders of Germany as they existed before the incorporation of any territory into the National Socialist German Reich in the degree that the property rights of these juridical persons actually belonged on 8th May, 1945, to German Nationals.

ARTICLE 35

German Assets in Austria

(Proposal by the United Kingdom Delegation)

1. Austria recognises that the Soviet Union, the United Kingdom, the United States and France have the right to dispose of all German assets in Austria in accordance with the decision of 2nd August, 1945, of the Berlin Conference, and undertakes to take all necessary measures to facilitate their transfer.

2. For the purpose of this Article the expression "German assets in Austria" means:

(a) all property in Austria which on 8th May, 1945, belonged to Germany or to German nationals, and which

(i) belonged to Germany or to German nationals on 12th March, 1938, or

(ii) were acquired after 12th March, 1938, by Germany or by German nationals, either by purchase or by new investment.

(b) the value of compensation effectively received, and of new German capital actually invested, in respect of cases falling within sub-paragraphs (c) to (g) inclusive of paragraph 3

(c) [Special provision for exploration and exploitation of oil.]

3. The following shall not be considered as German assets within the meaning of paragraph 2, namely :

(a) property of the Austrian State and communal authorities, as well as of the Austrian National Bank, and of labour and charitable organisations, which were transferred to the German State or to German nationals as a result of the annexation of Austria by Germany;

(b) property established and acquired in Austria after 12th March, 1938, by State and communal authorities and used for public purposes;

(c) property of which the transfer was effected to Germany or to German nationals in connection with measures directed against individuals or juridical persons treated as non-Aryan;

(d) property of which the transfer to Germany or to German nationals was effected by the application of force and in respect of which the owner did not effectively receive full compensation;

(e) property acquired by Germany or by German nationals, whether by new investment or otherwise, through the exclusion from their rights of non-German nationals;

(f) property acquired by new German investment in enterprises in which German ownership had previously been acquired as a result of measures indicated in subparagraphs (a) to (e) above inclusive, as well as those acquired by subsequent transfer to Germany or to German nationals of such enterprises or their assets;

(g) property subject to restitution or restoration under the provisions of Articles 36, 42 and 44 of the Treaty.

4. (a) The Soviet Union may dispose of German assets located in Eastern Austria. The United States of America, the United Kingdom and France may jointly dispose of German assets located in Western Austria.

(b) German assets consisting of shares or other ownership interests in banks or insurance corporations shall be regarded as located at the place where the *siège sociale* in Austria of the corporation is situated. Assets consisting of shares or other ownership interests in any other corporation shall be divided in the proportion of the value of the tangible property belonging to the corporation which lies respectively in Eastern and Western Austria at the date when the Treaty comes into force; when such property is situated in the *Innere Stadt* of Vienna it shall be regarded as lying 25% in Eastern Austria and 75% in Western Austria.

(c) German assets located in the *Innere Stadt* of Vienna (1st *Bezirke*) shall be treated as though located to the extent of 25% in Eastern Austria and to the extent of 75% in Western Austria.

5. (a) German assets in Austria transferred by way of reparation, shall be subject to the limitations, rights and obligations attaching to such assets, and shall remain subject to all claims enforceable against them under Austrian law at the date of transfer. Such assets and the enjoyment thereof shall be subject in all respects to Austrian law.

(b) The Austrian Government will not treat in a discriminatory manner, as compared with Austrian and foreign owned property generally, under its regulations relating to foreign exchange, or foreign trade, or in any other manner, assets transferred as German assets to a reparation claimant.

(c) Austria undertakes not to requisition or to nationalise such assets during the period of eighteen months from the coming into force of the Treaty, nor after that period except on payment of full compensation.

6. [Provision for settlement of disputes which may arise in giving effect to this Article, on the basis of a modified form of Article 50.]

7. (a) German assets in the case of a German holder of shares or ownership interests in a corporation, association or other juridical person, means such shares or ownership interests, and not the property belonging to the corporation, association or other juridical person itself or any part thereof.

(b) German national means—

(i) An individual having German nationality on 8th May, 1945, other than one who acquired such nationality as a result of the incorporation after 12th March, 1938, of any territory into the German Reich, but excluding any individuals who were permitted by any Allied or Associated Power to reside freely in its territory during the period when that Power was at war with Germany before 8th May, 1945, or who fall within paragraph 3 of Article 16 bis, of the Treaty.

(ii) A corporation, association or other juridical person having its *siège sociale* within the boundaries of Germany as they existed on 12th March, 1938, to the extent to which the shares or other ownership interests in such corporation, association or other juridical person actually belonged on 8th May, 1945, to Germany or to German nationals.

(c) Property includes all movable and immovable property, whether tangible or intangible, as well as all rights and interests of any kind, and in general property of any nature whatsoever.

(d) Eastern Austria shall mean the Zones of Austria and the Sector of Vienna occupied by the Soviet Forces in accordance with the "Agreement on Zones of Occupation in Austria and the Administration of the City of Vienna" of 9th July, 1945, and Western Austria the remainder of Austria other than the *Innere Stadt* of Vienna.

8. The Austrian Government shall, within six months of the coming into force of the Treaty, be notified of all assets claimed under the provisions of this Article unless the reparation claimant is able to show that because of concealment of other circumstances beyond the claimant's control, notification could not be made within that period. All notifications shall be officially published by the Austrian Government within one month of their receipt. No claim shall be made more than eighteen months after the coming into force of the Treaty.

ARTICLE 35

*German Assets in Austria**(Proposal by U.S. Delegation)**

1. (a) Austria recognizes that the Soviet Union, the United Kingdom, the United States and France have the right to dispose of all German assets in Austria in accordance with the decisions of 2 August 1945 of the Berlin Conference, and undertakes to take all necessary measures to facilitate their transfer.

(b) The Austrian Government shall, within six months after the coming into force of the Treaty, be notified by the powers entitled to dispose of German assets in Eastern and Western Austria, respectively, of all assets regarded by them as German under the provisions of this Article. All notifications shall be officially published by the Austrian Government within one month of their receipt. In the absence of such notification with respect to any particular German asset the power or powers concerned will be regarded as having renounced any claims thereto.

(c) If any Allied power has removed property from Austria which belongs to Austria or to Austrian nationals, the Austrian Government, under this Article, may withhold from transfer to the power or powers concerned property of the same kind as, and of approximately equivalent value to, the property removed.

2. For the purpose of this Article the term "German assets in Austria" means:

(a) all property in Austria which on 8 May 1945 belonged to Germany or to German nationals, and which

(i) belonged to Germany or to German nationals on 12 March 1938, or

(ii) was acquired after 12 March 1938 by Germany or by German nationals either by purchase or by new investment;

(b) the value of compensation effectively received, and of new German capital actually invested, in respect of cases falling within sub-paragraphs (b) and (c) of paragraph 3 of this Article;

(c) in the case of exploration and exploitation rights to oil and natural gas,

*This preliminary redraft of Article 35 restates more precisely the basic elements of a definition of German assets discussed by the Austrian Treaty Commission and considered important by the US Delegation. Since the redraft is in preliminary form further consideration of the data submitted to the Commission may suggest changes in the Article. Such changes, if made, will be circulated for consideration before or during the forthcoming session of the Council of Foreign Ministers in London. The US Delegation further reserves the right to propose alternative solutions to the problem of German assets in view of the persistent difficulties which have been encountered in finding a mutually satisfactory definition.

- (i) *Grubenmasse* validly owned by Germany or German nationals on 31 July 1940;
- (ii) rights to have concession contracts newly issued by the Austrian State for areas covered by *Freischürfe* validly owned by Germany or German nationals on 31 July 1940; and
- (iii) the value of any wells drilled and any machinery and equipment installed by Germany or German nationals, after the annexation, in areas other than those covered by (i) and (ii) above;

(d) in the case of creditor claims, the excess of German claims against Austria and Austrian nationals over Austrian claims against Germany and German nationals.

3. The following shall not be regarded as German assets within the meaning of paragraph 2:

(a) property belonging to the Austrian State, Austrian communal authorities, the Austrian National Bank, and Austrian political, labor and charitable organizations, which was transferred to the German State or to German nationals as a result of the annexation of Austria by Germany; and property established or acquired in Austria after 12 March 1938 by State or communal authorities and used for normal peacetime public purposes;

(b) property acquired by Germany or German nationals

- (i) as a result of measures directed against individuals or juridical persons regarded as non-Aryan;
- (ii) without the free consent of the owner and without the effective receipt by the owner of fair compensation; or
- (iii) through the exclusion from their rights of non-German nationals;

(c) property acquired by new German investment in undertakings, the ownership rights in which had been previously acquired by Germany or German nationals as a result of the measures indicated in sub-paragraphs (a) and (b) above, and property acquired by a later transfer to Germany or German nationals of such undertakings or their assets;

(d) property subject to restitution, restoration or transfer under the provisions of Articles 36, 42 and 44 of the Treaty.

4. (a) The Soviet Union has the right to dispose of German assets located in Eastern Austria. The United States of America, the United Kingdom and France jointly have the right to dispose of German assets located in Western Austria.

(b) German assets consisting of shares or other ownership interests in banks or insurance companies shall be regarded as located at the *siège sociale* of such companies in Austria.

(c) German assets consisting of shares or other ownership interests in any other corporation, association or juridical person shall be regarded as located in, and such shares or other ownership interests

shall be divided between Eastern and Western Austria in the proportion of the value of the tangible property of such corporation, association or other juridical person located, respectively, in Eastern and Western Austria on the date the Treaty comes into force.

(d) German assets consisting of creditor claims shall be collected by the Austrian Government, and the excess of German claims against Austria and Austrian nationals over Austrian claims against Germany and German nationals shall be regarded as located 25% in Eastern Austria and 75% in Western Austria.

(e) Eastern Austria means the Zone of Austria and the Sector of Vienna occupied by the Soviet Forces in accordance with the "Agreement on Zones of Occupation in Austria and the Administration of the City of Vienna" of 9th July, 1945, and Western Austria means the remainder of Austria other than the International Zone (*Innere Stadt*) of Vienna.

(f) German assets, and tangible property of a company in which there is a German interest, located in the International Zone of Vienna, shall be regarded as located 25% in Eastern Austria and 75% in Western Austria.

5. The Allied Powers having the right to dispose of German assets in Austria shall receive them as they existed on 8 May 1945, with the rights and subject to the obligations and limitations attaching to and to all claims enforceable against such assets as of that date. Such assets shall be subject to Austrian law in all respects, except that :

(a) Austria undertakes not to discriminate against such assets in its regulations regarding foreign trade or foreign exchange, or in any other manner ; and

(b) Austria undertakes not to requisition or to nationalize such assets for a period of 18 months from the coming into force of the Treaty without the consent of the interested Allied Power, nor after that period except on a non-discriminatory basis and the payment of prompt, adequate and effective compensation.

6. (a) German assets in the case of shares or other ownership interests in a corporation, association or other juridical person held by Germany or German nationals on 8 May 1945 means such shares or other ownership interests, and not the tangible property, or any part thereof, belonging to such corporation, association or other juridical person.

(b) German nationals means :

(i) Individuals having German nationality on 8 May 1945 other than those who acquired such nationality as a result of the incorporation after 12 March 1938 of any territory into the German Reich ; and other than those who were permitted by any Allied or Associated Power to reside freely in its ter-

ritory during the period when that Power was at war with Germany before 8 May 1945.

(ii) Corporations, associations or other juridical persons having their *siège sociale* within the boundaries of Germany as they existed on 12 March 1938 to the extent to which the shares or other ownership interests of such corporations, associations or other juridical persons actually belonged to Germany or to German nationals.

(c) Property includes all movable and immovable property, whether tangible or intangible, as well as all rights and interests of any kind, and in general property of any nature whatsoever.

Note: The US Delegation considers that Article 57 is applicable to such disputes as may arise under Article 35, but is prepared to consider a modification of Article 50, or a special paragraph applicable only to Article 35.

ARTICLE 36

Restitution by Austria

1. Austria accepts the principles of the United Nations Declaration of 5th January, 1943, and shall return, in the shortest possible time, property removed from the territory of any of the United Nations.

2. The obligation to make restitution applies to all identifiable property at present in Austria which was removed by force or duress by any of the Axis Powers from the territory of any of the United Nations, irrespective of any subsequent transactions by which the present holder of any such property has secured possession.

3. The Austrian Government shall return the property referred to in this Article in good order and, in this connection, shall bear all costs in Austria relating to labour, materials and transport.

4. The Austrian Government shall co-operate with the United Nations in, and shall provide at its own expense all necessary facilities for, the search for and restitution of property liable to restitution under this Article.

5. The Austrian Government shall take the necessary measures to effect the return of property covered by this Article held in any third country by persons subject to Austrian jurisdiction.

6. Claims for the restitution of property shall be presented to the Austrian Government by the Government of any country from whose territory the property was removed, it being understood that rolling stock shall be regarded as having been removed from the territory to which it originally belonged. The period during which such claims may be presented shall be nine months from the coming into force of the present Treaty.

7. The burden of identifying the property and of proving ownership shall rest on the claimant Government and the burden of proving

that the property was not removed by force or duress shall rest on the Austrian Government.

8. The Government entitled to restitution and the Austrian Government may conclude agreements which will replace the provisions of the present Article. This bilateral procedure will apply particularly to the restitution of rolling stock, in regard to which the Allied and Associated Powers recognise that restitution should be arranged so as to effect a minimum dislocation of Austria's essential transport requirements.

9. [If, in particular cases, it is impossible for Austria to make restitution of objects of artistic, historical or archaeological value, belonging to the cultural heritage of the United Nation from whose territory such objects were removed to Austria by force or duress by German forces, authorities or nationals, Austria shall transfer to the United Nation concerned objects of the same kind as, and of approximately equivalent value to, the objects removed, insofar as such objects are obtainable in Austria.]⁽¹⁾

⁽¹⁾ Proposal by the Soviet Delegation opposed by the French, United States and United Kingdom Delegations.

ARTICLE 38

Austrian Property in Germany and Renunciation of Claims by Austria on Germany

1. From the date of the coming into force of the present Treaty the property in Germany of the Austrian Government or of Austrian nationals, [including such property removed after 12th March, 1938, as may be declared subject to return by the Powers in Occupation of Germany],⁽¹⁾ shall be returned to its owners. This provision shall not

⁽¹⁾ Proposal of the French Delegation, supported by United Kingdom and United States Delegations, opposed by Soviet Delegation.

apply to the property of war criminals or persons who have been subjected to the penalties of denazification measures; such property shall be placed at the disposal of the Austrian Government if it has not been subjected to blocking or confiscation in accordance with the laws or ordinances in force in Germany after 8th May, 1945.

[2. The restoration of Austrian property in Germany shall be effected in accordance with measures which will be determined by the Powers in occupation of Germany in their zones of occupation.]⁽²⁾

⁽²⁾ Proposal of the Soviet Delegation.

[3. Without prejudice to these and to any other disposition in favor of Austria and Austrian nationals by the Powers occupying Germany, Austria waives on its own behalf and on behalf of Austrian

nationals all claims against Germany and German nationals outstanding on 8th May, 1945, except those arising out of contracts and other obligations entered into, and rights acquired, before 13th March, 1938. This waiver shall be deemed to include all claims in respect of transactions effected by Germany during the period of the annexation of Austria and all claims in respect of loss or damage suffered during the said period, particularly in respect of the German public debt held by the Austrian Government or its nationals and of currency withdrawn at the time of the monetary conversion. Such currency shall be destroyed, [except for such amounts as may be required to meet the claims of United Nations,]⁽³⁾ upon the coming into force of the

⁽³⁾ Proposal of the United Kingdom and United States Delegations. The Soviet Delegation is opposed to the words between brackets. The French Delegation reserves its position on these words until Articles 35 and 48 bis. are agreed.

present Treaty.]⁽⁴⁾

⁽⁴⁾ The United States and United Kingdom Delegations will accept paragraph 3 above only on condition that a general agreement is reached on Article 41.

ARTICLE 39

Renunciation by Austria of Claims against the Allies

1. Austria waives all claims of any description against the Allied and Associated Powers on behalf of the Austrian Government or Austrian nationals arising directly out of the war in Europe after 1st September, 1939, or out of actions taken because of the existence of a state of war in Europe after that date whether or not such Allied or Associated Power was at war with Germany at the time. This renunciation of claims includes the following:

(a) Claims for losses or damages sustained as a consequence of acts of forces or authorities of Allied or Associated Powers;

(b) Claims arising from the presence, operations or actions of forces or authorities of Allied or Associated Powers in Austrian territory;

(c) Claims with respect to the decrees or orders of Prize Courts of Allied or Associated Powers, Austria agreeing to accept as valid and binding all decrees and orders of such Prize Courts on or after 1st September, 1939, concerning ships or goods belonging to Austrian nationals or concerning the payment of costs;

(d) Claims arising out of the exercise or purported exercise of belligerent rights.

2. The provisions of this Article shall bar, completely and finally, all claims of the nature referred to herein, which shall henceforward be extinguished, whoever may be the parties in interest. The Austrian Government agrees to make equitable compensation in schillings to persons who furnished supplies or services on requisition to the forces of Allied or Associated Powers in Austrian territory and in satisfaction

of non-combat damage claims against the forces of the Allied or Associated Powers arising in Austrian territory.

3. Austria likewise waives all claims of the nature covered by paragraph 1 of this Article on behalf of the Austrian Government or Austrian nationals against any of the United Nations whose diplomatic relations with Germany were broken off between 1st September, 1939, and 1st January, 1945, and which took action in co-operation with the Allied and Associated Powers.

4. The Government of Austria shall assume full responsibility for Allied military currency of denominations of five schillings and under issued in Austria by the Allied Military Authorities, including all such currency in circulation at the coming into force of the present Treaty. Notes issued by the Allied Military Authorities of denominations higher than five schillings shall be destroyed and no claims may be made in this connection against any of the Allied and Associated Powers.

5. The waiver of claims by Austria under paragraph 1 of this Article includes any claims arising out of actions taken by any of the Allied and Associated Powers with respect to ships belonging to Austrian nationals between 1st September, 1939, and the coming into force of the present Treaty as well as any claims and debts arising out of the Conventions on prisoners of war now in force.

Note: The United States Delegation withdrew its original proposal for a sixth paragraph to the Article. The Article is therefore now agreed.

ARTICLE 41

German Claims against Austria

[The Allied and Associated Powers undertake to support the inclusion in the German Peace Treaty of a waiver by Germany to all claims based on the transfer or liquidation of its property or the property of its nationals as well as to all economic and financial claims against Austria or Austrian nationals outstanding on 8th May 1945 or arising out of the reestablishment of Austrian independence and of such waiver as may be appropriate of claims of German nationals against Austria or Austrian nationals.](¹)

(¹) Proposal of United States, United Kingdom and French Delegations. Soviet Delegation considers it premature to discuss this question.

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 it now exists.](¹)

(¹) Proposal by the Soviet Delegation. Opposed by the French, United States and United Kingdom Delegations.

[1. In so far as this has not already been done, Austria will restore all legal rights and interests in Austria of the United Nations and of their nationals such as they existed on 1st September, 1939, as well as the legal rights and interests of the United Nations and of their nationals which existed on 13th March, 1938, and were subjected after that date to transfers liable to cancellation under paragraph 3 of the present Article. Austria will restitute to such United Nations and their nationals items of property belonging to them in Austria in their present condition.](²)

(²) Proposal of the French Delegation. The United States Delegation supports this proposal in principle but in view of the intimate relation of paragraphs 1 and 3 of Article 42 to Article 35, and the existing differences among the several Delegations, including differences between the French and United States Delegations, regarding the text of Article 35, the United States Delegation prefers to reserve its position on the exact language of these paragraphs pending further study of or agreement on Article 35. The United Kingdom Delegation agrees in principle with the United States Delegation but will reserve its final position on these paragraphs.

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 [including seizures, sequestration or control](³) [of seizures, sequestra-

(³) Proposal of United Kingdom, French and United States Delegations. tion or control](⁴) taken against United Nations property between

(⁴) Proposal of Soviet Delegation.

[13th March, 1938](⁵) [the day of commencement of hostilities be-

(⁵) Proposal of United Kingdom, French and United States Delegations. tween Germany and the United Nation concerned](⁶) and the coming

(⁶) Proposal of Soviet Delegation.

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 8th May, 1945.](⁷)

(⁷) Proposal of Soviet Delegation. Opposed by French, United Kingdom and United States Delegations.

[3. (a) The Austrian Government will cancel transfers of property, rights and interests of all kinds belonging to the United Nations which were carried out between 13th March, 1938 and 8th May, 1945, when these transfers:

- (i) were carried out in relation to measures directed by Germany against physical or juridical persons designated as non-Aryan;
- (ii) were carried out without the free consent of the owners and without complete compensation.

(b) The Austrian Government will also cancel, in the degree in which they have caused prejudice to the United Nations or their nationals, transactions carried out between 13th March, 1938 and 8th May, 1945 in relation to property, rights and interests belonging on 13th March, 1938 to these United Nations or to their nationals when by such transactions the property, rights and interests have been acquired by any person whatsoever:

- (i) to the exclusion of the rights of nationals of the United Nations;
- (ii) by an investment in enterprises the property rights of which had previously been transferred and which must be cancelled in accordance with the terms of sub-paragraph (a) of this paragraph;
- (iii) through acquiring enterprises the property rights of which had been transferred previously and which must be cancelled in accordance with the terms of sub-paragraph (a) of this paragraph, or through acquiring the assets of these enterprises.](⁸)

(⁸) Proposal of the French Delegation. The United States Delegation supports this proposal in principle but in view of the intimate relation of paragraphs 1 and 3 of Article 42 to Article 35, and the existing differences among the several Delegations, including differences between the French and United States Delegations, regarding the text of Article 35, the United States Delegation prefers to reserve its position on the exact language of these paragraphs pending further study of or agreement on Article 35. The United Kingdom Delegation agrees in principle with the United States Delegation but will reserve its final position on these paragraphs.

[4. (a) In cases in which the Austrian Government provides compensation for losses suffered by reason of injury or damage to prop-

erty in Austria which occurred during the German occupation of Austria or during the war, United Nations nationals shall in no event receive less favourable 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 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.]⁽⁹⁾

(⁹) Proposal by United States and Soviet Delegations.

[4. (a) The Austrian Government undertakes to enter into agreements with each of the United Nations concerned in regard to the property in Austria, dealt with in this Article, of their nationals which cannot be returned or which has suffered injury or damage as a result of the war with Germany. These agreements shall be concluded in the shortest possible time and Austria undertakes therein to give to the nationals of each of the United Nations concerned treatment no less favourable than has been, is, or may be, granted in the territory of that United Nation to Austrian property, and, in no event, less favourable treatment than that accorded by the Austrian Government to Austrian nationals.

Nothing in the foregoing shall require Austria to make payments in foreign currencies in respect of loss, injury or damage to property.]⁽¹⁰⁾

(¹⁰) Proposal by United Kingdom Delegation. Supported by French Delegation.

4. (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 organised 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 8th May, 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] ⁽¹¹⁾

⁽¹¹⁾ Addition by United States and United Kingdom Delegations, which the Soviet and French Delegations consider unnecessary.

[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.] ⁽¹²⁾

⁽¹²⁾ Addition by the French Delegation, with which Soviet Delegation agrees in principle. Opposed by the United States Delegation.

(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 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 28th June, 1946.] ⁽¹³⁾

⁽¹³⁾ Proposal of Soviet Delegation. Opposed by the United States, United Kingdom and French Delegations.

10. The Austrian Government recognises that the Brioni Agreement of 10th August, 1942, is null and void. It undertakes to participate with the other signatories of the Rome Agreement of 29th May, [March] 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 43

*Application of Austrian Law to United Nations Property,
Rights and Interests in Austria*

[Subject to any other provisions in the present Treaty affecting the treatment of property in Austria, all property, rights and interests in Austria of the United Nations and their nationals, equally with Austrian-owned property, shall receive the full protection of Austrian law and be subject to the provisions of Austrian law.]⁽¹⁾

⁽¹⁾ Proposal of United States, French and United Kingdom Delegations. The Soviet Delegation reserves its position until Articles 35 and 42 have been agreed.

ARTICLE 44

Property, Rights and Interests of Minority Groups in Austria

1. Insofar as such action has not already been taken, Austria undertakes that, in all cases where property, legal rights or interests in Austria have since 13th March, 1938, been the subject of [measures of sequestration, confiscation or control]⁽¹⁾ [transfer under duress, acts

⁽¹⁾ Proposal by the Soviet Delegation which the French and United Kingdom Delegations are prepared to accept.

of confiscation, dispossession or spoliation]⁽²⁾ on account of the racial

⁽²⁾ Proposal by United States Delegation which United Kingdom and French Delegations are prepared to accept.

origin or religion of the owner, the said property shall be returned and the said legal rights and interests shall be restored together with their accessories. Where return or restoration is impossible, compensation shall be granted for losses incurred by reason of such measures to the same extent as is, or may be, given to Austrian nationals generally in respect of war damage.

2. Austria agrees to take under its control all property, legal rights and interests in Austria of persons, organisations or communities which, individually or as members of groups, were the object of racial, religious or other Nazi measures of persecution where, in the case of persons, such property, rights and interests remain heirless or unclaimed for six months after the coming into force of the present Treaty, or where in the case of organisations and communities such organisations or communities have ceased substantially to exist. Austria shall transfer such property, rights and interests to appropriate agencies or organisations to be designated by the four Heads of Missions in Vienna by agreement with the Austrian Government to be used for the relief and rehabilitation of victims of persecution by the Axis Powers, it being understood that these provisions do not require Austria to make payments in foreign exchange or other transfers to foreign countries which would constitute a burden on the Austrian

economy. Such transfer shall be effected within eighteen months from the coming into force of the present Treaty and shall include property, rights and interests required to be restored under paragraph 1 of this Article.

Note: Comparison of the texts revealed that the word "substantially" in paragraph 2 of the English text is not contained in the Soviet and French texts.

ARTICLE 45

Austrian Property in the Territory of the Allied and Associated Powers

1. The Allied and Associated Powers declare their intention to return Austrian property, rights and interests as they now exist in their territories or the proceeds arising out of the liquidation, disposal or realization of such property, rights or interests subject to accrued taxes, expenses of administration, creditor claims and other like charges, where such property, rights or interests have been liquidated, disposed of or otherwise realized. The Allied and Associated Powers will be prepared to conclude agreements with the Austrian Government for this purpose.

[2. Notwithstanding the foregoing provisions, the Federative Peoples' Republic of Yugoslavia shall have the right to seize, retain or liquidate Austrian property, rights and interests within Yugoslav territory on the coming into force of the present Treaty and also to apply the proceeds thereof to such purposes as it may desire within the limits of its claims and those of its nationals against Austria or Austrian nationals, including debts, other than claims fully satisfied under other Articles of the present Treaty. The Government of Austria undertakes to compensate Austrian nationals whose property is taken under this paragraph.]⁽¹⁾

⁽¹⁾ Proposal by French Delegation, supported by Soviet Delegation. United States and United Kingdom Delegations can accept this paragraph only if the United States, United Kingdom and French proposal for Article 34 is accepted by all Delegations. The Soviet Delegation considers paragraph 2 has no connection whatsoever with Article 34.

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 13th March, 1938. The Allied and Associated Powers recognise 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 13th March, 1938, payment agreements were concluded between Germany and the creditor States.](¹)

(¹) Proposal by the Soviet Delegation opposed by the United Kingdom, United States and French Delegations.

[2. The Allied and Associated Powers recognise that interest payments and similar charges on Austrian Government securities falling due after 12th March, 1938, and before 8th May, 1945, constitute a claim on Germany and not on Austria.](²)

(²) Proposal by United States, United Kingdom and Soviet Delegations.

[As regards payment of interest and similar charges on Austrian Government securities falling due between 13th March, 1938, and 8th May, 1945, the Allied and Associated Powers declare their intention to negotiate with Austria agreements to fix the conditions of payments, taking into consideration the financial position of Austria.](³)

(³) Alternative proposal by French Delegation, opposed by United States, United Kingdom and Soviet Delegations.

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 13th March, 1938, insofar 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 1st September, 1939; by either the Government of Austria or persons who were nationals of Austria on 12th March, 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 8 May, 1945, and the coming into force of the present Treaty.](¹)

(¹) Proposal by Soviet Delegation.

[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 8 May, 1945, and the coming into force of the present Treaty, other than supplies delivered under commercial contracts, trade agreements or credit arrangements.](²)

(²) Proposal by United States Delegation, supported by the United Kingdom and French Delegations.

ARTICLE 49 BIS

Contracts between Austria and Germany

[The Government of Austria with the agreement of the Heads of the Diplomatic Missions in Vienna of the Soviet Union, of the United Kingdom, of the United States and of France, may take action with a view to terminating contractual relations between Austrian nationals and Germany or German nationals existing on 8th May, 1945, which created conditions of undue economic dependence by Austria on Germany, or which were harmful to the Austrian economy and involved long-term obligations for the delivery of goods or services or for the determination of prices or of preferential terms of payment.](¹)

(¹) Proposal of the United Kingdom, United States and French Delegations. The Soviet Delegation reserves its position on this Article until a decision on Article 35 is reached.

ARTICLE 51

Patents

[Austrian patent law shall be amended in order to limit the study preliminary to registration to a simple survey of the definition of the new characteristics of the projects.

Any kind of technical centralization by any means and any form of preliminary appeal to opposition are prohibited.](¹)

(¹) Proposal by French Delegation. Opposed by the United States, United Kingdom and Soviet Delegations. The French Delegation reserves the right to present a new text for this Article.

[Here follow the texts of Annexes II, III, IV, and V of the Draft Austrian Treaty. These are identical to the texts appearing in documents CFM (47) (M) 82, March 29, page 516.]

Annex "A"

LIST OF DOCUMENTS SUBMITTED AND STUDIED BY THE AUSTRIAN
TREATY COMMISSION

<i>No.</i>	<i>By</i>	<i>Date</i>	<i>Title</i>
CFM/ATC(47)1	FRANCE	12 May	Terms of Reference to Committee of Experts
2	UK	14 May	Terms of Reference to Committee of Experts
3	USSR	14 May	Proposal by the Soviet Delegation
4	US	14 May	Terms of Reference to Committee of Experts
5*	US	17 May	Terms of Reference to Committee of Experts
6	UK	15 May	Terms of Reference to Committee of Experts
6*	UK	28 May	Terms of Reference to Committee of Experts
7	US	23 May	Instructions to Committee of Experts
8	US	26 May	Text of Article 42, UN Property in Austria
9	FRANCE	2 June	Work of Commission and Establishing Terms of Reference for Committee of Experts
10	USSR	9 June	Future Work of Commission and Committee of Experts
11	US	11 June	Future Work of Commission and Committee of Experts—Amendments to Soviet Proposal CFM/ATC(47)10
12	UK	11 June	Future Work of Commission and Committee of Experts
13	FRANCE	13 June	Future Work of Commission and Committee of Experts
14	US	14 June	Rotation and Order of Future Work of Commission—Amendment to Para 2, Soviet Proposal CFM/ATC(47)10
15*	ALL	19 June	Future Work of Commission and Committee of Experts
16	FRANCE	19 June	Plan for Examining the Oil Question
17	FRANCE	19 June	Questions Concerning Oil Industry Which Could be Examined by Commission
18	US	21 June	Development and Transfer of Assets and Ownership of Oil Industry
19*	ALL	7 July	Program Adopted by Commission for Examination of Oil Industry

*Indicates revised document or document to which there has been a correction.

LIST OF DOCUMENTS SUBMITTED AND STUDIED BY THE AUSTRIAN
TREATY COMMISSION—continued

<i>No.</i>	<i>By</i>	<i>Date</i>	<i>Title</i>
CFM/ATC(47)20	UK	23 June	Development of Oil Industry prior to <i>Anschluss</i>
21-I	US	24 June	Petroleum Legislation—General Mining Law 1854 and related laws and decisions
21-II	US	25 June	Petroleum Legislation—Bitumen Law of Aug. 31, 1938— Background Material
21-III	US	26 June	Petroleum Legislation—Bitumen Law of Aug. 31, 1938—Major aspects of Law and Concession Contracts
21-IV	US	30 June	Petroleum Legislation—Bitumen Law of Aug. 31, 1938—Applica- tion and Administration
21-V	US	30 June	Petroleum Legislation—Bitumen Law of Aug. 31, 1938—Typical Case: <i>Rohoegewinnungs</i> AG (RAG)
21-VI	US	23 Sept	Petroleum Legislation— Invalidity of Concessions Granted by Germany to German Companies
22	USSR	24 June	Remarks in Reply to British and US Delegations on Development of Oil Industry Before <i>Anschluss</i> , Made at ATC Meetings 23 and 24 June 1947
23	UK	26 June	Position of Oil Industry Before <i>Anschluss</i>
24	FRANCE	26 June	Comments on "Bitumengesetz"
25	USSR	26 June	Remarks in Reply to US Delegation on Question of Bitumen Law of 13 August 1938
26	UK	1 July	Comments on Statement by M. Novikov on Bitumen Law, 26 June
27	USSR	30 June	Reply to US and UK Delega- tions on Question of Develop- ment of Oil Industry Before <i>Anschluss</i>
28	FRANCE	2 July	Remarks on Capital Conversions of Stock Companies (Item 3 of Agenda CFM/ATC(47)19)
29	USSR	2 July	Remarks on Question of Bitumen Law and its Application
30	US	3 July	Validity of Oil Concessions under Bitumen Law

LIST OF DOCUMENTS SUBMITTED AND STUDIED BY THE AUSTRIAN
TREATY COMMISSION—continued

<i>No.</i>	<i>By</i>	<i>Date</i>	<i>Title</i>
CFM/ATC(47)31	UK	3 July	Nature of Oil Contracts
32	UK	5 July	Validity of Bitumen Law and Contracts Issued Thereunder
33	UK	5 July	Reply to Soviet Delegation (CFM/ATC(47)29) on Bitumen Law and its Application
34	FRANCE	5 July	Bitumen Law and Oil Contracts
35	UK	8 July	Item 3 of the Agenda for Oil Industry (CFM/ATC(47)19 Revise)
36	US	8 July	Comments of 27 June 1947 on Soviet Statement of 26 June 1947, CFM/ATC(47)25
37	US	14 July	Steinberg Naphtha Case— Comments on 7 July 1947 on CFM/ATC(47)28, 2 July 1947.
38	US	15 July	Item 4 (a) of the Oil Agenda (CFM/ATC(47)19 Revise) "Have the transfers of share capital or assets for German benefit been carried out: (b) by force or direct forcible action?"
39	US	16 July	Item 4 (a) of the Oil Agenda (CFM/ATC(47)19 Revise) "Have the transfers of share capital or assets for German benefit been carried out: (b) by duress?"
40	FRANCE	16 July	Case of Nova Company in Connection with Point 4 (b) of Plan of Work for Petrol (CFM/ ATC(47)19 Revise)
41	FRANCE	17 July	Item 4 (b) of Agenda for Oil— Case of the "Nova" Oel und Brennstoffgesellschaft A. G.
42	US	21 July	DDSG (including Part II)
43	UK	17 July	DDSG
44	FRANCE	21 July	DDSG
45	US	22 July	Lobau Refinery Case—German Subsidiaries of UN interests: the problem of ultimate benefi- cial ownership.
46	US	22 July	Oil Producing Equipment Taken as War Booty or Otherwise Removed

LIST OF DOCUMENTS SUBMITTED AND STUDIED BY THE AUSTRIAN
TREATY COMMISSION—continued

<i>No.</i>	<i>By</i>	<i>Date</i>	<i>Title</i>
CFM/ATC(47)47	US	24 July	Comments on Soviet Statement (CFM/ATC(47)29), Regarding Draft Oil Law of 1931. Based on Preliminary Remarks made July 2, 1947.
48	UK	26 July	General Survey of Austrian Banks
49-A	US	29 July	Financial Institutions: Banks Introduction and Summary
49-B	US	29 July	Financial Institutions: Banks Creditanstalt-Bankverein
49-C	US	29 July	Financial Institutions: Banks Laenderbank
49-D	US	29 July	Financial Institutions: Banks Oesterreichische Industriekredit A. G.
49-E	US	29 July	Financial Institutions: Banks E.S.M. v. Rothschild
50	US	29 July	Financial Institutions: Basic Problem of Insolvency
51	USSR	31 July	Banks
52	FRANCE	31 July	Financial Institutions—German Assets in the Field of Insurance
53	FRANCE	2 Aug	Financial Institutions—Case of the Laenderbank
54	US	4 Aug	Financial Institutions—Insurance
55	FRANCE	5 Aug	Case of Austrian Banks, Meeting 5 August 1947
56	US	6 Aug	German Assets in Austrian Industry
57	FRANCE	8 Aug	Industrial Undertakings—Case of Felten and Guillaume Company
58	UK	9 Aug	German Assets in Austrian Industrial Concerns (Including Supplements 1-10)
59	USSR	8 Aug	Report of Commission and Com- mittee of Experts on Question of D.D.S.G.
60	USSR	6 Aug	Insurance Companies
61	FRANCE	11 Aug	Comments on US Paper CFM/ ATC(47)56 Concerning German Assets in Austrian Industry
62	US	12 Aug	DDSG Report of the Committee of Experts
63	USSR	18 Aug	Remarks on US Document CFM/ ATC(47)56, French Document CFM/ATC(47)57 and UK Document CFM/ATC(47)58

LIST OF DOCUMENTS SUBMITTED AND STUDIED BY THE AUSTRIAN
TREATY COMMISSION—continued

No.	By	Date	Title
CFM/ATC(47)64	US	12 Aug	Answers to Questions Arising from Discussion on 11th August, 1947, of CFM/ATC(47)56
65	FRANCE	13 Aug	Observations on US Document CFM/ATC(47)64 and Soviet Document CFM/ATC(47)63
66	FRANCE	20 Aug	Question of State Property
67	UK	25 Aug	Question of State Property
68	UK	27 Aug	Creditor Claims
69	US	29 Aug	Statement by David Ginsburg, Acting U.S. Representative
70	UK	29 Aug	Statement Defining General Attitude of UK Delegation on Questions Dealt with in Article 35 of the Draft Austrian Treaty.
71	USSR	2 Sept	Statement by Soviet Delegate
72	FRANCE	16 Sept	Article 35—German Assets in Austria
73	FRANCE	17 Sept	Distribution of German Assets in Austria
74	US	18 Sept	Remarks on German Interest in Erste Oesterreichische Glanzstoff Fabrik A.G. (St. Poelten)
75	USSR	25 Sept	German Assets in Austria (Article 35)
76	FRANCE	8 Oct	Statement on Article 35
77	ALL	11 Oct	Report to the Council of Foreign Ministers

Note: Various documents have been received by the Commission, in addition to those contained in Annex "B" including communications from the Polish Political Representative, Austrian Trade Unions, groups representing Carinthian Slovenes, and others.

740.0011 EW (Peace)/10-1447: Telegram

The Acting United States Representative to Austrian Treaty Commission (Ginsburg) to the Secretary of State

SECRET

VIENNA, October 14, 1947—5 p.m.

1032. From Ginsburg.

1. Pursuant to request in para 4, Deptel 782,⁴⁸ USDel has spoken informally with British, French and Austrians here re possible approach to Soviets along lines indicated in Legtel 971, Oct. 6.⁴⁹

⁴⁸ *Ante*, p. 616.

⁴⁹ Not printed.

2. There appears to be acceptance in principle of following elements of compromise offer subject to the reservations indicated:

a. Oil.

(1) USSR to receive about 50% of Austria's 1946 production, reserves, and refining capacity.

(2) Under USDel's recommendation contained in Final Report⁵⁰ Sovs would retain all of their present claims to production except the Niederdonau Erdoel GMBH and 40% of the Internationale Tiefbohr A. G. (Steinberg-Naphtha).

(3) The return of Niederdonau, and a physical division of possible reserves in the exploration lands of the Erdoelproduktions GMBH and the Internationale Tiefbohr AG, on a 50-50 and 60-40 basis, respectively, would result in a division of possible reserves transferring 40% to the USSR and retaining 60% in non-Sov hands.

(4) In refining, under USDel's proposal, the Soviets would be required to return Lobau refinery and pipeline but might be offered a cash indemnity equal to their cost. This would result in the retention by the USSR of Korneuburg, Nova, and Voendorf, and the retention in non-Sov hands of Lobau, Floridsdorf, and Kagran. The resulting division of refining capacity is 45.2% Soviet and 54.8% non-Soviet.

(5) Believe this would be wholly acceptable to the Aus Govt and on balance to achieve agreement probably acceptable to the US and UK. However, emphasize that French would probably be dissatisfied since their claim for the Nova Refinery is ignored.

b. DDSG.

USSR to receive the properties of DDSG physically located in Eastern Aus, Hungary and elsewhere in Sov reparation areas. This amounts to about 75% of DDSG's tangible properties. French, British and Aus all appear willing to accept this item as recognition of *fait accompli*.

c. Industry.

(1) USSR to receive 5 to 10 large formerly German-owned industrial plants in Eastern Aus.

(2) The following seven companies and plants are suggested by USDel in its final report because they represent an important percentage of what US regards as German assets in industrial enterprises in the Sov Zone (about 60% assuming that some non-German minority interests will also be turned over to the Sovs); because the Sovs have shown great interest in the output of these plants; and because it seems possible to replace the loss of production involved by increased or modified output of other plants remaining in Aus hands.

- (a) Siemens-Schuckertwerke Aktiengesellschaft
Vienna I, Nibelungengasse 15
Plants: Vienna XX, Vienna XXI

⁵⁰ Regarding the Report of the United States Delegation to the Austrian Treaty Commission, see the letter of November 4 from Dodge to the Secretary of State, p. 673.

This company supplied about 40% of all major electric equipment used in Aus. Produces generators, transformers, switch gears and motors.

- (b) AEG-Union Elektrizitaets-Gesellschaft
Vienna III, Ungargasse 59/61
Plants: Vienna XXI
Same importance for Aus as Siemens. Share in total capacity another 40%. Produces same items as Siemens.
- (c) J. M. Voith
St. Poelten (Office and Plant)
Company is the sole producer in Aus of water turbines (indispensable for hydro-electric plants) and of 80% of paper processing machinery.
- (d) Wiener Kabel-und Metallwerke Aktiengesellschaft
Vienna XXI, Siemensstrasse 88 (office and plant)
Company is owned by Siemens, represents about 35% of country's total capacity of high and low tension cables. Only producer of high frequency telephone cables.
- (e) Osram GMBH, Kommanditgesellschaft
Vienna-Atzgersdorf, Karl Heinzstrasse 67 (office and plant)
Company accounts for 40% of country's capacity to produce incandescent lamps.
- (f) Gebr. Boehler & Co. Aktiengesellschaft
Vienna I, Elisabethstrasse 14
Plant in Soviet Zone: Ybbstalwerke, Waidhofen-on-the Ybbs.
Ybbstalwerke is the only Austrian producer of galvanized and bronzed steel strip and most important producer of welded tubing and high speed cutting tools.
- (g) Enzesfelder Metallwerke Aktiengesellschaft
Vienna I, Karlsplatz 2
Plant in Enzesfeld
Company's capacity is about 50% of Austria's for non-ferrous metal products, including sheet strips, rods and bars.

d. Redemption Obligation.

In lieu of all other claims to German assets in Eastern Austria, USSR to receive \$100 million face amount of 4% redemption obligations, amortizable over a period of 8 years, beginning January 1, 1952. (The US Delegation is itself of the opinion that this sum is

probably too low to have any chance of acceptance by the USSR. \$150 to \$200 million is probably nearer the order of magnitude required although such an offer should probably not be made as an initial basis for bargaining.) Interest and amortization should be payable, so far as possible, in the form of Austrian raw materials (particularly oil), and value added by Austrian factories to materials supplied by the USSR (see Article 74, Italian Treaty). If necessary, a stipulated part of interest and amortization payments may be made transferable in foreign exchange.

e. Austrian Law.

Properties transferred to the USSR shall be subject to Austrian law in all but at most two respects: (1) freedom from nationalization for a limited period; (2) if necessary, freedom to transfer net profits in the form either of goods or of foreign exchange.

f. Settlement of Disputes.

All disputes shall ultimately be subject to settlement by some form of arbitration. This recommendation is of a lesser order of importance than the foregoing, but it is nevertheless of significance.

3. (a) After conversations here Ginsburg believes offer of nature envisaged would be wholly acceptable to the Austrians and with some minor reservations re the Nova Refinery and the return of a few DDSG vessels held by DDSG, acceptable to the French.

(b) USDel, together with the French and Austrians, is convinced that to have any chance of acceptance even in principle initial offer must be sufficiently attractive to compete with what Sovs can reasonably anticipate from their own zone without treaty. British appear inclined to feel that initial offer should be carefully limited because substantial increases will probably be required before final acceptance. Hence, British speak of one-third rather than one-half of oil industry and suggest that perhaps \$75 million or even less is a better beginning figure than \$100 million. USDel is unable to determine whether this British approach is based exclusively on bargaining considerations or upon second thoughts regarding desirability of an Austrian treaty in immediate future. British from time to time have informally suggested here that perhaps it is not to advantage of the powers in occupation of the western zones to speed a treaty at the moment and then to withdraw their troops immediately, pointing to developments in Eastern and Southeastern Europe. Whether local British are simply being cautious in avoiding commitments or in framing offer, therefore, because they are not authorized to speak or for some other reason, or whether such caution at bottom represents an effort to sabotage the offer by making it so small as to insure non-acceptance, is unknown. USDel feels certain, however, that offer along lines for which some British have expressed preference which would

give Sovs far less than they can obtain without treaty would have little or no chance of acceptance.

4. Details of foregoing and supporting facts contained in USDel final report.

[GINSBURG]

740.0011 EW (Peace)/10-1647 : Telegram

The Acting United States Representative to the Austrian Treaty Commission (Ginsburg) to the Secretary of State

SECRET

VIENNA, October 16, 1947—11 a.m.

1047. From Ginsburg.

1. Proposed USDel statement summarizing Soviet positions re outstanding issues Austrian State Treaty not released in accordance with Dept's direction (reference Deptels 817, October 9; 825, October 11; and 832, October 12⁵¹).

2. For following reasons USDel questions policy of delaying until London release of information re full extent of Soviet claim against German assets in Austria:

(a) *Clarification of issues*: There is widespread misunderstanding, certainly in Austria and probably elsewhere, re exact differences which exist between US and USSR re German assets. The issue is of course simple since the essential difference is the matter of amount claimed. To insure clarification it would appear vital therefore to frame issue in quantitative terms, and in this way to apprise Austrians and others of exactly what Austria would lose if Soviet claim was conceded.

(b) *Reply to Soviet propaganda*: Soviet propaganda in Austria has been viciously consistent in describing US aims in Austria as wholly selfish. Volume of abuse and false charges re "imperialistic desires, Anglo-American oil monopoly interests, Austrian servitude depending on the US dollar, etc.," has sharply increased during the past two months, and is still increasing. USDel feels that a clear display of facts re Soviet positions would serve a healthy purpose in Austria and elsewhere by demonstration [*demonstrating*] anti-American Soviet propaganda as smokescreen for excessive Soviet demands.

(c) *Possible effect on Soviet policy*: Full public statement of Soviet demands might even have useful impact on Soviet policy in Austria. The sum of Soviet demands is astounding even if it is assumed that certain demands are merely bargaining counters. This may or may not be clearly appreciated in Moscow. Soviets are guilty of extraordinary overreaching and should be so charged. They have rarely, if ever, in Austria responded to reasoned negotiation. A stiffening of US attitudes re Austria, prompted by inordinate Soviet claims, would appear wholly appropriate at conclusion of Committee's work.

⁵¹ None printed; regarding telegrams 817 and 832, see footnote 43, p. 626.

(d) *Effect on Austrian public opinion:* Department suggests that mood of Austria may be one of discouragement because of Gruber's speeches. May [*Many*] here feel resignation to delay better describes current mood, although certainly there exists great anxiety re future Soviet and US policies in Austria. USDel believes that since Soviet claims so far exceed what was generally anticipated even in Austrian Govt circles, at least equally probable to anticipate indignation and resentment from Austrians as response to public disclosure of Soviet tactics. Unquestionably, however, this would not be the reaction to statement of Soviet positions in the event that disagreements persist after London Conference. At that time reaction to review of divergencies would seem almost inevitably to be discouragement. Reason is that at present time London Conference offers some hope of agreement. Difficult to state with assurance now that comparable hope for Austrians will exist if London Conference fails.

(e) *Utility of statement in event subsequent agreement:* No solution likely to emerge from London will be palatable to Austria[ns] since they will have heavy burden whatever formula or approach is ultimately agreed. Only by comparison with Soviet demands will final agreement, if any, appear less unacceptable. US would hardly be in position to release full facts re Soviet demands after settlement reached on German assets.

(f) *Possible Soviet propaganda replies:* If USSR replies that US exaggerates Soviet demands, US would then be in position to demand specification. If USSR challenges US offer to compromise, US would then be in position to respond with offer along lines already considered.

3. Returning to proposed USDel statement, do not understand reference to "recrimination" or intimation in Deptel 817 that statement may reveal US positions. Throughout Vienna discussions USDel has deliberately sought to avoid recrimination as matter of policy and proposed statement appears on re-reading to reflect that policy. Moreover, statement deliberately drawn to avoid revealing [any] new US position since USDel has long assumed that Soviets had little or no authority to negotiate in Vienna and that US bargaining positions will be fully exposed for first time in London. Finally, there are virtually no facts in statement which have not at one time or another been fully aired publicly either during London Deputies meeting, Moscow CFM meeting, or during course of last five months by USDel. Essential usefulness was as summary of numerous particulars more or less well-known.

4. USDel has carefully considered Dept's observations but for foregoing reasons recommends (a) reconsideration of Dept's policy; (b) prompt release of facts compiled by USDel in statement by Dodge or by Department.

[GINSBURG]

740.0011 EW (Peace)/10-2047 : Telegram

The Minister in Austria (Erhardt) to the Director of the Office of European Affairs (Hickerson)

TOP SECRET

VIENNA, October 20, 1947—7 p.m.

1064. Personal for Hickerson. Proposals discussed by USDel informally with British, French and Austrians here, and proposals in Gruber's letter to Ginsburg, (Department's 856, October 17⁵²) are approximately the same as "compromise offer of settlement" set forth in final report of USDel in black binder (our 1046, October 16⁵³), which should now be in your hands.

Probable effect of compromise offer on Austrian economy is discussed at length in foregoing report of USDel. In my opinion compromise would not have crippling effect on economy or jeopardize Austrians political independence, provided always there are suitable safeguards re applicability of Austrian law. (You will note that text of Gruber's letter contained in Ginsburg's 1024 October 13⁵⁴ contains typographical error in reference to DDSG saying "Austria" instead of "Eastern Austria". There was of course no thought of turning over to USSR physical assets of DDSG located in US zone.)

As for extent to which discussions with British, French, and Austrians have committed US to a precise proposal, it is my understanding Ginsburg has not committed US.

As for Soviet knowledge of these proposals, they are aware we and British are willing to take substantial compromises, and this particular compromise falls within general framework of French proposal presented to Treaty Commission and reported in local press, but there is no reason to believe precise terms of this compromise offer are known to Soviets.

ERHARDT

⁵² Not printed; in it Hickerson stated that he was concerned about the ultimate effect on the Austrian treaty negotiations of the discussions reported upon in telegrams 1024, October 13, not printed, and 1032, October 14 from Vienna, p. 664, and he asked Erhardt for his frank comments regarding the content and consequences of the compromise offer already accepted in principle by the British, French, and Austrians (740.0011 EW (Peace)/10-1747).

⁵³ Not printed; it reported on the preparation of the United States Delegation Report on the work of the Austrian Treaty Commission; regarding the Report, see the letter from Dodge to the Secretary of State, November 4, 1947, p. 673.

⁵⁴ The telegram under reference is not printed; Gruber's letter of October 9 is printed on p. 625.

740.0011 EW (Peace)/10-2447 : Telegram

The Minister in Austria (Erhardt) to the Secretary of State

SECRET

VIENNA, October 24, 1947—9 a.m.

1081. Dept's plan for approach to USSR in immediate future regarding Austrian treaty, as outlined in Dept's 782, Sept 29,⁵⁵ has been brought to Gruber's attention pursuant instructions. He concurs as to desirability of this approach, and agrees to cooperate in any technical assistance needed.

He feels that terms of offer to Soviets should conform with his letter of Oct 9, telegraphed to Dept in Ginsburg's 1024, Oct 13, and understands that after details have been worked out on basis of USDel report and discussions with British and French he will be given further opportunity to see plan before it is presented to Soviets.

Gruber considers it important that Dept should definitely plan, in case of failure, to publicize offer and Soviet rejection as evidence of their desire to gain political control over Austria.

ERHARDT

863.6363/10-2847 : Telegram

The Acting Secretary of State to the Embassy in the Soviet Union

SECRET

WASHINGTON, October 28, 1947—1 p.m.

1890. You are requested to present the following note to the Sov Govt concerning the seizure by Sov troops of the oil refinery at Lobau Aus on 2 Aug. This property is beneficially owned thru Ger subsidiaries by Socony-Vacuum and Royal Dutch Shell. Soviet action was protested formally by US and UK delegations in Aus Treaty Commission Aug 6 and 11 and subsequently by US and UK elements Allied Commission. Sov delegation ATC avoided issue and referred matter to Allied Commission where Sov representatives Aug 14 referred Keyes to diplomatic channels. Aug 29 Kourasov reply to Keyes letter on subj stated Sov defense for action based on Law 5. Note follows:⁵⁶

"I am instructed by my Government to bring to your attention its views concerning the seizure by the Sov authorities in Aus of the Oesterreichische Mineraloel Werke at Lobau which occurred on Aug 2, 1947. It is understood that the seizure was based upon the view of the Sov Govt that it is entitled to this property as a German external asset.

⁵⁵ *Ante*, p. 616.⁵⁶ The note was delivered to the Soviet Foreign Ministry on October 31.

Since the ATC has now completed its work without adequate discussion of the case and without any satisfactory explanation being given by the Sov representatives in Aus concerning this seizure the US Govt considers it necessary to state its position as follows:

On July 22 the US Delegation on the Aus Treaty Comm, during the discussion of Ger assets in Aus oil industry, pointed out that the refinery at Lobau is entirely owned by American and Brit companies thru their wholly owned subsidiaries located in Ger. While this fact is not denied by the Sov representatives in Aus it is nevertheless contended by them that the Lobau refinery is liable to be taken as reparations under the Potsdam Agreement of Aug. 2, 1945 and the provisions of Law 5 of the Allied Control Council which vests in the GEPC the property outside Ger of Ger juridical persons.

It is the view of the US Govt that the seizure of this property is not justified on the grounds advanced by the Sov Un and hence that the action of the USSR constitutes a violation of the property rights of US citizens.

The language of Law 5 is sufficiently broad, as was intended, because of economic security considerations, to vest title to property in apparent Ger ownership in the Ger Ext Prop Com pending the requisite investigation and the ultimate transfer of title to external assets actually owned by Germans to the proper reparation claimants in accordance with international agreements.

It has never been contemplated by the US Govt that there should be transferred on reparation account assets not beneficially owned by Germans.

On the contrary the US Govt has and continues to adhere firmly to the view that the beneficial ownership of citizens of the United Nations, when established, must, in conformity with generally accepted principles of law, be recognized and the property returned to its rightful owners.

The interpretation recently given by the Sov Govt to Law 5 namely, that property is to be considered Germ for reparation purposes in all cases in which the owner is a corporation organized under the laws of Germany, disregards the beneficial interest in property which may be owned by the United Nations nationals thru such corporations. That the Sov Un should seriously advance such an interpretation is the more surprising, since it is in conflict with basic principles governing the treatment of United Nations property to which the Sov Un agreed in the treaties with Italy, Roumania, Hungary, Bulgaria, and Finland. In the treaties with these countries, it will be recalled, specific recognition is given to the beneficial interests of UN nationals in properties located in those countries which are held, directly or indirectly, thru corporations or associations which were not themselves UN nationals.

Moreover, the US Govt finds it difficult to consider the Sov interpretation of CC Law 5 advanced in connection with the Lobau case as representing a legitimate difference of opinion regarding legal matter, since it is well known that the Sov Un also maintains the position, with which the U.S. does not agree, that Law 5 is not applicable at all to vest title to Ger assets in Eastern Aus.

Beyond interpretative considerations the US Govt finds it necessary to point out that the position taken by the Sov Un in effect

amounts to an attempt to collect reparations from citizens of the U.S. Such an attempt the US Govt regards as completely inadmissible and emphatically protests. In this connection the attention of the Sovt Govt is directed to Annex II of the Protocol of the Conference of Berlin, which records the agreement of the Chief of the Sov Govt to the principle that the burden of reparation should not fall on Allied nationals.

Under these circumstances it is requested that the necessary steps be taken by the Sov Govt to recognize the interest of American citizens in the refinery at Lobau. Moreover, my govt would appreciate the assurances of the Sov Govt that similar seizures of American property will not be effected in the future."⁵⁷

Dept is informing Brit Embassy re above note.

Sent to Moscow as 1890; repeated to Vienna as 887.

LOVETT

740.0011 EW(Peace)/11-447

The United States Representative to the Austrian Treaty Commission (Dodge) to the Secretary of State

[WASHINGTON,] November 4, 1947.

MY DEAR MR. SECRETARY: With this letter I am delivering the basic material of the report covering the work of the Austrian Treaty Commission.

The Commission met eighty-five times during the period May 12, 1947 to October 11, 1947, inclusive.

The material submitted is composed of the following documents:

1. The Quadripartite Report of the Austrian Treaty Commission to the Council of Foreign Ministers.⁵⁸ This is a document composed of the texts of the unagreed articles of the Treaty as proposed by the Delegation. Each delegation submitted a new draft of Article 35 on German assets.

2. The U.S. Summary of Issues with the positions as they appeared at the end of the Austrian Treaty Conference.⁵⁹ This document also contains an analysis of the proposed revisions of Article 35 and recommendations for future negotiation.

3. The Report by the U.S. Delegation of the Austrian Treaty Commission.⁶⁰ This is divided into nine chapters, each with its own index. It relates primarily to German assets in Austria and covers the various categories of German assets discussed in the Commission.

⁵⁷ Telegram 3243, November 20, from Moscow, not printed, transmitted the text of a Soviet reply, dated November 19, rejecting the United States protest printed here in the same terms as earlier Soviet statements on the subject (863.6363/11-2047).

⁵⁸ Document CFM/ATC (47) 77, October 11, 1947, p. 631.

⁵⁹ A copy of this report is included in the CFM Files, Lot M-88, Box 63.

⁶⁰ Copies of the U.S. Delegation Report are included in file 740.0011 EW (Peace)/10-147 and in the CFM Files, Lot M-88, Box 64.

A copy of the index to each Chapter is attached ⁶¹ so you can see the nature of the treatment and scope of the coverage. Of particular interest to you will be Chapter I, General Summary and Recommendations, and Chapter IX, Possibilities for a Cash Settlement and Austria's Capacity to Pay.

4. This is supplemented by folders corresponding to the nine chapters of the Report of the U.S. Delegation. In each is bound the appropriate chapter and the related documents considered by the Commission at its discussions. These folders are provided for ready reference and compile the official material connected with each subject.

5. The stenographic transcripts of the discussions at each of the meetings.

Fifty copies each of the quadripartite report to the Council of Foreign Ministers, the U.S. Summary of Issues, and the Report of the U. S. Delegation on German Assets (the latter including 20 sets with all related documents) are being transmitted to the Department. In addition, complete files of working papers and transcripts have been transferred to London.

The principal accomplishments of the meetings of the Commission and the work of the U.S. Delegation may be summarized in this way: The accumulation by each Delegation of a vast quantity of detailed information regarding the former German ownership of assets in Austria, which has not heretofore been available; clarification of issues with respect to Article 35 on German assets and other unagreed Articles of the Treaty; and a much clearer understanding, with an approach to unification, of the United States, French and British views.

While the U.S., French and British positions have been more nearly consolidated, this has served to emphasize the substantial differences between their views and that of the Soviet Delegation. These differences appear greater than at Moscow. In part this may be due to the further clarification of positions.

The heart of the problem is the matter of the amount and the nature of the Soviet claims on Austria. In the opinion of the U.S. Delegation, these are unbearably excessive, far more than was agreed at Potsdam, and far more than a free Austria can afford. The nature and extent of these claims are summarized in Part II of Chapter I of the U.S. Delegation's report.

The recommendations contained in the Report are of two kinds, first, with reference to the terms of a definition of German assets; and, second, with reference to the terms and the possibilities for a specific offer to be made to the U.S.S.R. which could be utilized in lieu of a definition. The latter approach, in my judgment, offers the more hopeful prospect for agreement in view of established difficulties in agree-

⁶¹ The attachment is not printed.

ing on an acceptable treaty article. I am presently considering the details of such an offer with appropriate officers of the Department.

Because the meetings in Vienna extended over a much longer period than was anticipated, there was considerable pressure and urgency in the preparation of the Report. However, it is complete except for any minor corrections, revisions, or modifications which may be made necessary by a re-check of the material. Corrections will be incorporated in the report prior to the meeting of the Council of Foreign Ministers.

For myself and Mr. Ginsburg, I wish to pay a high tribute to the energy, ability and application of all the members of the staff who worked on this problem, and to the unfailing and constructive cooperation of Lieutenant General Keyes and Minister Erhardt and their respective staffs in carrying out the assignment.

Mr. Ginsburg, who acted as my Deputy and, after I left Vienna, carried on the negotiations for a period of about six weeks and who is mostly responsible for the form and content of this Report, cannot be commended too highly.

Very sincerely yours,

JOSEPH M. DODGE

IV. THE FIFTH SESSION OF THE COUNCIL OF FOREIGN MINISTERS, LONDON, NOVEMBER 25-DECEMBER 15, 1947

A. PREPARATIONS AND ARRANGEMENTS FOR THE COUNCIL SESSION

740.0011 EW Peace/6-247 : Telegram

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

SECRET

LONDON, June 2, 1947—4 p.m.

2987. UK Foreign Office requests further informal US-UK discussions on proposed Byrnes treaty in note May 28 which reads:

"As you know, after discussion in Moscow, question of proposed treaty for disarmament of Germany ("Byrnes treaty")¹ was left unsettled, though Mr. Marshall expressly stated that he did not withdraw it. We very much regret that it was impossible to make any further progress on this subject, and we hope that it will be further discussed at next meetings of CFM. You perhaps also know that both before and during Conference we had some discussion with Matthews and other members of State Department, to whom we gave certain comments of our own on American draft. It now seems to us that we could profitably spend some time during interval before next CFM in continuing these informal discussions with you, and perhaps also in holding similar discussions with French. Our general object would be partly to pursue points which we ourselves feel require clarification, and partly to consider together with you whether proposed treaty could be modified so as to become more acceptable to Russians without losing its original character.

We shall be very glad to know whether you will be willing to enter into discussions with us on this whole subject. I enclose a paper summarizing some of the main points which we would suggest for discussion, in order to show what is in our minds."

Full text enclosure reads:

"Points in connection with the Byrnes treaty requiring further discussion.

The scope of the treaty.

The main objection put forward by the Russians to the American proposal was that it did not go far enough and concentrated too much

¹ For the text of the draft treaty on the disarmament and demilitarization of Germany, submitted by Secretary of State Byrnes to the Council of Foreign Ministers in Paris on April 30, 1946, see document CFM(46) 21, *Foreign Relations*, 1946, vol. II, p. 190.

on the single aspect of disarmament instead of including a number of other questions which would have to be dealt with in the peace settlement with Germany. As against this it seems clear that if we were to try to include all the subjects put forward by the Russians, we could never conclude a treaty of the kind proposed by the US delegation in advance of the final settlement of all outstanding German questions. It seems possible, however, to go some way towards meeting the Russian point of view without losing the advantage of having a treaty which could be accepted at once by all Four Powers without awaiting the settlement of all major German problems. This might be done by adding to a draft on the lines of the American proposal a provision that other questions on which agreement might be reached by the CFM could be brought under the procedure for inspection and enforcement provided for in the Byrnes treaty. The treaty would then consist of:

(a) Agreement to set up the necessary machinery to detect and suppress attempts by Germany to contravene detailed prohibitions relating to rearmament, and para-military organizations, etc., and

(b) Agreement that when decisions were reached by the Four Powers on other subjects e.g., level of industry, control of the Ruhr, etc. the same machinery should be used for detecting and suppressing breaches of such other prohibitions as might be imposed on the Germans in the light of these decisions. Should the treaty provide for unanimous action only?

The American text seems to provide that no action can be taken to enforce the treaty except by the common agreement of all the Four Powers. The United Kingdom view is that there is considerable argument in favor of decisions being taken by a majority (i.e. three) of the Four Powers. It might be supposed that the omission of the phrase "by common agreement" in Article VI of the counter-draft submitted by the Soviet delegation in Moscow means that the Russians are not themselves in favor of the unanimity rule, but it is also arguable that the omission of this phrase means that they are in favor of complete liberty of action on the part of all signatories to the treaty. In these circumstances the best tactics might be simply to enquire of the Russians whether the omission of the phrase in their counter-draft does in fact mean that they are opposed to the unanimity rule, and if so, whether they favor a majority rule.

Location of forces.

The British authorities feel that it would be desirable to lay down in the treaty that a proportion at least of the forces available for enforcing the treaty should be located in Germany. When should the inspectorate be established?

In the American draft the inspectorate is not to be set up until the end of the period of general occupation.

The British authorities feel that there is considerable advantage in setting up an inspectorate immediately upon the conclusion of the treaty. The French delegation at Moscow appeared to share this view."

Since Foreign Office asks whether Department prepared to enter into such discussions, Embassy would appreciate early instructions regarding nature of reply to be made.²

DOUGLAS

740.00119 Council/7-1047

*The British Embassy to the Department of State*³

AIDE-MÉMOIRE

Ref. 23/217/47

At the 43rd meeting of the Council of Foreign Ministers during their recent session in Moscow it was agreed "to settle through diplomatic channels the question of the place and time of the beginning of the work of the Deputies for Germany".⁴

2. The British Embassy have been asked by His Majesty's Government to suggest to the United States Government that this meeting of the Deputies should take place in London and that October 1st might be a suitable date. A similar approach is being made to other members of the Council of Foreign Ministers concerned and in the event of the above suggestion proving generally acceptable His Majesty's Government will issue formal invitations.

3. His Majesty's Government have in mind the possibility of setting a limit to the duration of the meeting by means of a directive to the Deputies from the Council of Foreign Ministers instructing them to report within a fixed period say four weeks. His Majesty's Government would welcome the views of the United States Government upon this proposal as well as upon the suggestion that the meeting should be held in London starting on October 1st.

WASHINGTON, July 10, 1947.

² Telegram 2545, June 13, to London, not printed, instructed Ambassador Douglas to inform the Foreign Office that the United States shared the British view that the draft treaty should be further discussed at the next session of the Council of Foreign Ministers and that the State Department was reviewing the whole question of the treaty in the light of the Moscow discussions. The Department believed that informal American-British discussions on the matter would be useful (740.0011 EW (Peace)/6-247).

³ In a memorandum of July 30, 1947, to the British Embassy, not printed, the Department of State accepted the British proposal contained in this *aide-mémoire* concerning the next meeting of the Deputies for Germany on the understanding that the other Governments concerned also desired the Deputies to meet on October 1 (740.00119 Council/7-1047).

⁴ See the Provisional Record of Decisions of the 43rd Meeting of the Council of Foreign Ministers, April 24 and the report on that meeting in telegram 1546, Delsec 1472, April 25, from Moscow, pp. 386 and 388.

740.00119 Council/9-1747: Telegram

The Acting Secretary of State to the Embassy in the Soviet Union

SECRET

WASHINGTON, September 17, 1947—9 a.m.

1741. For the Ambassador from Lovett.

Some time ago Brit Emb proposed to us that CFM deputies meet in London Oct. 15 preparatory to CFM meeting November.⁵ Although date in Nov. of CFM meeting still not fixed, we indicated agreement with this proposal. French Govt informed Brit that they considered this a waste of time in view of unlikelihood deputies accomplishing anything and countered with a suggestion that the meeting take place one week before CFM meeting. We informed Brit that we are agreeable to this suggestion. Later Brit asked us about fixing date for deputies meeting Oct. 6.

About the same time Brit informed us of their desire to discuss urgently 50-50 financial arrangement for financing US-UK zones in Germany.⁶ The date for these discussions has been fixed Oct. 8.⁷ It is necessary of course that Clay and Murphy be in Wash for these discussions. Murphy is Secretary's deputy on CFM for Germany. He obviously cannot be in both places at once. In these circumstances we suggested to Brit that deputies meeting in London be postponed and we stated that we believed that it would be sufficient for deputies to meet a week or ten days before date set for meeting of CFM.

Gousev has heretofore acted as Soviet deputy on Germany. So far as we know, he has not been replaced. If deputies meet, of course Murphy has to be there and there can be no question of sending a second team.⁸

In the meantime, Brit have proposed Nov 25 as date for London meeting of CFM. We have replied that we agree to that as a tentative date. If this date is agreed upon by the Four Powers, Oct 6 is obviously

⁵ The United States and the Soviet Union had accepted the original British proposal that the Deputies for Germany meet in London on October 1, but in early August the French demurred.

⁶ See telegram 3693, August 26, to London, p. 954.

⁷ Regarding the United States-United Kingdom discussions to review the financial provisions of the Bizonal Fusion Agreement of December 2, 1946, held in Washington, October 8-December 17, 1947, see the editorial note, p. 968.

⁸ In his personal and urgent telegram 2809, September 9, from Moscow, not printed, Ambassador Smith urged against a second postponement of the meeting of the Deputies for Germany even if it necessitated the United States sending a "second team" to London. Smith warned that a request for a postponement of the Deputies meeting would have a very bad psychological effect in Moscow and would provide the Soviet Government with further cause to charge the United States and United Kingdom with "unilateral action, collusion and sabotage". (740.00119 Council/9-947)

too early for meeting of deputies. Brit are now informally suggesting Nov 6 for deputies but we have not yet given final answer on this date.⁹

In these circumstances, it does not seem necessary to us that Brit tell Sov Govt anything other than that the time of meeting of deputies should obviously correspond to the time of meeting of CFM and that we hope it will be possible to agree on a date in Nov for deputies meeting. We have so informed Brit Emb here. I suggest that you talk to your Brit colleague along these lines. (Sent to Moscow as 1741; repeated to Berlin for Murphy as 1885; to London for Douglas as 4024; to Paris for Caffery as 3515).

LOVETT

711.51/9-1847

*Memorandum of Conversation, by the Secretary of State*¹⁰

SECRET

[NEW YORK,] September 18, 1947.

Participants: Secretary Marshall
Willard Thorp
M. Bidault
Ambassador Bonnet

After a brief exchange of courtesies, I told Mr. Bidault that I understood that he had matters which he wished to lay before me and that I had taken the first opportunity to come to see him.

Mr. Bidault said that he first wished to talk about the problem of Germany. Looking forward to the November meeting of the CFM, he thought that there was more than a possibility that no agreement could be reached with the USSR. Although he did not wish to regard this as a certainty, nevertheless he did feel that it would be unfortunate not to be ready with a program, if there were a break. Obviously, it was not possible to have open negotiations, but he did have full authority to discuss this matter discreetly while in the United States. He felt that it was desirable to discuss the whole German problem—the Ruhr, the Saar, the *Länder* and all other matters. These discussions should be at a high level, where there is more flexibility, more ability to consider all factors, than by technical experts. He hoped that such discussions could begin in a few days.

⁹ All four members of the Council of Foreign Ministers subsequently agreed to have the Deputies meet on November 6 and the Council on November 25.

¹⁰ The conversation was held at the Waldorf-Astoria Hotel at 3:30 p.m. The Secretary of State and Foreign Minister Bidault headed the delegations of their countries at the Second Regular Session of the United Nations Assembly, meeting in New York, September 16–November 29, 1947.

I said that I was somewhat out of touch with the recent developments in connection with Germany because of my trip to Rio.¹¹ However, I understood that considerable progress had been made in our discussions with the British concerning the Ruhr. Mr. Thorp verified this statement. I indicated the great weight which we place upon coal, reminding both Bidault and Bonnet of our many conversations on the subject. I stated that the problem had many aspects—production, German organization, general European recovery, and security. As to these many problems, I felt fairly well aware of the preoccupations of the British and the French, but was not so sure about the Russians. I did not feel clear as to what they really require. We proceed on the basis that they have some overall difficult plan, and they undoubtedly have the same idea about us. But it may well be that neither of these notions is true, and that there is some intermediate or partial solution possible. At any rate, I said that I was searching for such a step, perhaps unity on certain economic matters which would immediately facilitate recovery. I stressed that this was an idea which had not yet been carefully studied. Mr. Bidault said that he had been trying to find such an answer for three years without success.

I said that I would be glad to have conversations, but I would wish to think a little about an agenda for our next discussion here. I suggested that we meet in Mr. Bidault's suite, where we would be more likely to escape observation than in the Pennsylvania. I also said that we would need to consider the relationship of the British to our talks, and that I might wish to talk directly with them. Mr. Bidault agreed.

I then said that during the last few days I had become more hopeful for constructive results from the Paris Conference.¹² I wanted him to keep in mind my problem with Congress and the American people. I said that the United States opinion was more generally sympathetic than I had anticipated. I then told him of my experience with the Governors, and their indication of support. In this connection, I briefly outlined the argument for military training in the United States. This gave me the opportunity to speak of the Rio Conference, and the importance for Europe of a stable America. I mentioned briefly the prob-

¹¹ The Secretary of State headed the United States Delegation to the Inter-American Conference for the Maintenance of Continental Peace and Security at Quitandinha (near Rio de Janeiro), Brazil, August 15–September 2, 1947. For documentation on the United States role at the Conference, see volume VIII.

¹² Conference of European Economic Cooperation, held in Paris, July 12–September 22, 1947. For documentation regarding this Conference and the development of the European Recovery Program, see volume III.

lem of Greenland, but then said that our time was drawing short, since I had another appointment.

Mr. Bidault said that he had several other matters to take up and would try to cover them quickly. First were the related problems of wheat and credits.¹⁴ There already were evidences of food riots, and the situation was very critical. Ramadier was determined to put France's financial house in order in 1948 and France was prepared to make a very serious commitment in this regard in connection with the Paris Conference. But no one could say what would happen if there is no relief in the food and dollar areas. I made no comment.

Mr. Bidault went on to say that he was planning to speak before the Assembly on Friday.¹⁵ In the meantime, he intended to make a careful study of my speech. His chief problem was as to what to say concerning Greece.¹⁶ The French representative on the Committee of Inquiry reported that he had little actual evidence of outside interference, although he did not doubt its existence. Mr. Bidault said that he had no problem concerning the principle involved and would try to be as helpful as possible. I told him that I would be greatly interested in what he would have to say.

840.6362/10-847

Memorandum of Conversation, by the Secretary of State

SECRET

[NEW YORK,] October 8, 1947.

Participants: Mr. Georges Bidault, French Foreign Minister;
Mr. Henri Bonnet, French Ambassador to the U.S.;
Secretary of State Marshall;
Mr. Charles E. Bohlen, Counselor, Department of
State

Mr. Bidault said he wished to give the Secretary a resume of the French position in regard to the Ruhr which had been the subject of informal and private discussions here in New York.¹⁷ He said in setting forth the French views he hoped that the Secretary would bear in mind the previous French positions which had been successively abandoned. He said he had in mind the original French proposal for the territorial

¹⁴ For documentation on the concern of the United States over the political, economic and financial situation in France, including the problems of wheat and credits, see volume III.

¹⁵ September 19. Foreign Minister Bidault actually addressed the General Assembly on September 20.

¹⁶ For documentation regarding the concern of the United States over the reports of violations of the Greek frontier, see volume V.

¹⁷ No record has been found of the informal and private discussions under reference here. For documentation regarding proposals for an international regime for the Ruhr, see pp. 977 ff.

separation of the Ruhr, a special political regime for the Ruhr, and the plan for international ownership and operation of the Ruhr industries. He added that the present French positions were in the opinion of his Government "sufficient but essential"; in other words, a minimum. He stated that he did not expect me to give an answer at the present time to these questions, but merely hoped they would be considered as representing the views of the French Government on the subject and in anticipation of a future French position to merge its zone with that of the British and American. He handed me a copy of an informal paper in French setting forth French views on the administration of the Ruhr both during the actual occupation and the final post-occupation regime (attached).

I told Mr. Bidault that there could be no implied commitment or even understanding based on these informal discussions in view of the fact that the British were directly involved in the matter and also because the French had not yet taken a decision to merge their zone.

Mr. Bidault said he completely understood this consideration and stated that although no decision concerning the views of the zones had been taken, he had nevertheless had authority from his Government to discuss the French attitude in the event of such a contingency.

I told Mr. Bidault that we would, of course, study most carefully **the views of the French Government** on the subject of the Ruhr. I said that we would be prepared to provide a more definite clarification of the relationship between the Control Board and the German Director but that our experts felt that it would be less efficient to have two Directors for the coal industry, one for the Ruhr and one for the Aachen basin as the French had suggested.

Mr. Bidault observed that the suggestion for two Directors was not of any great importance. I then said that as to the permanent regime of the Ruhr to be incorporated into the peace settlement, it was obviously difficult at this time to state any opinion and that we felt it would be wiser to reserve judgment until experience had been acquired in the operation of the Ruhr during the occupation period. I said, however, that we were agreed in principle that the Ruhr should not be under the exclusive control of any German Government but should be operated for the benefit of both Europe and Germany and should be integrated into the general European economy. I told Mr. Bidault that we must be determined but not too pessimistic in advance as to the outcome of the Council of Foreign Ministers meeting in November and that we must not fail to bear in mind the possibility that the Russians might come forth with some apparently conciliatory measures which would have to be scrutinized very carefully because of their effect on bizonal or possibly trizonal arrangements for Germany.

Mr. Bidault said that speaking realistically he did not see much hope for a success at London. He thought that the Russians would concentrate their attack on the level of industry agreement between Great Britain and the U.S.¹⁸ with, as he put it, all the brutality which the decadence of their political thinking permits. Another possible alternative might be a Soviet proposal to hold all German elections for a central Reichstag.

I told Mr. Bidault that in my experience as a military man that it was always darkest just before dawn and that when a situation looks its blackest one was apt to be on the eve of victory. I said that we would, of course, study most carefully the views of the French on the Ruhr as set forth in the document he had handed me.

[Annex]

*Informal French Government Proposals on the Ruhr*¹⁹

[NEW YORK,] October 8, 1947.

I—The question of the international property of the mines and steel mills of the Ruhr is reserved.

II—Regime of the present period of occupation.

In the recently concluded agreement on the subject of the organization of coal production in Germany, the appointment of a German Director General has been provided for and also the creation of an allied control group. These arrangements would be modified or completed in the following way :

1) There would be two directors general instead of one, one being responsible for the Ruhr, and the other for the Aachen basin.

2) The powers of the allied control group should be more precisely defined. In general the group would have the functions and the responsibilities of a board of directors which would include :

- a) The approval of the over-all production of the investment programs and of financial policy.
- b) The general rights of communication, verification, and investigation.

III. The permanent regime.

1) The aim of the allied governments is to see to it that on the one hand the Ruhr can no longer be used as an instrument of aggression and on the other hand that the Ruhr be integrated into a reorganized European economy, being considered not as a German asset but as a European asset.

¹⁸ For documentation on the American-British agreement for a revised level of industry plan for the United States-United Kingdom zones of occupation of Germany, see pp. 977 ff.

¹⁹ The source text appears to be an American translation.

Consequently, the production of coal and coke from the Ruhr must be equitably divided between Germany and the European countries which need it. In addition, it is necessary to make sure that Germany uses the quantities of coal, coke and steel which are allocated to her for peaceful purposes.

2) In order to obtain the above objectives, and independently of agreements which could be concluded regarding the disarmament and demilitarization of Germany, an international authority would be set up in the Ruhr.

This international authority would have as its first task the repartition of the coal and coke production between the interior German consumption and export in accordance with the agreements which have been made or are to be made regarding this repartition.

The international authority would also have such powers of the occupation authorities and of the allied control group as would appear necessary to give to it in order to obtain the objectives mentioned above.

The international authority would be composed of representatives of the United States, Great Britain, France and of Benelux. A German participation could be provided for.

3) The permanent regime shall be established at a date which would be determined by common agreement based on experience and without waiting for the end of the regime of occupation.

740.0011 EW (Peace)/10-1547: Telegram

*The Acting Secretary of State to the Embassy in the United Kingdom*²⁰

SECRET

WASHINGTON, October 15, 1947—7 p.m.

4452. Substance of memo on Austrian treaty given BritEmb for transmission to FonOff follows:²¹

Begin summary: Austrian Treaty Commission has now completed its proceedings without reaching agreement on any unagreed Articles in treaty.²² Dept is concerned no agreement reached on definition German assets Art 35 and considers solution German assets problem one of key points involved in completion treaty and termination mili-

²⁰ This telegram was sent *mutatis mutandis* to London as 4452 and to Paris as 3944; the telegram was repeated to Moscow as 1846 and to Vienna as 848.

²¹ Copies of the memorandum under reference here were delivered to the British and French Embassies on October 16 (740.0011 EW (Peace)/10-1647). Telegram 849, October 15, to Vienna, not printed, asked that the proposal summarized here be brought to the attention of Chancellor Gruber to secure his endorsement and cooperation in any technical assistance which might be necessary (740.0011 EW (Peace)/10-1547).

²² For documentation regarding the Austrian Treaty Commission and its meetings in Vienna, May 12-October 11, 1947, see pp. 577 ff.

tary occupation. Dept notes proposal made by French Rep ATC Oct 8²³ for solution German assets problem on basis concrete values was received with appreciation by other Delegations for transmittal to their respective Govts. In effort to break deadlock, proposal is made that efforts to reach agreed definition Art 35 be suspended temporarily after termination ATC, and prior to convening CFM Nov, US, UK, and France, after consultation Austrian Govt, approach Soviet Govt for direct settlement German assets along following lines:

1. Govts US, UK, and France recognize Soviet Govt has right to keep certain percentages ownership in major Austrian enterprises which are indisputably German.
2. Austrian Govt be urged to offer Soviets lump-sum settlement at specified amount in final satisfaction remaining claims German assets not covered by foregoing transfer of title. Lump-sum settlement must be consistent with Austria's capacity to pay and protected by safeguards similar to those in Italian Treaty.
3. Soviets to guarantee any interests transferred to Soviet Union to be subject to Austrian law except for agreed limitation on nationalization.
4. Any settlement on basis of foregoing to be contingent on completion of treaty. If Soviets agree to discuss proposal US would recommend that present form Art 35 be replaced by general Art to include three items; recognition rights Potsdam claimants to German property in Austria; a special quadripartite protocol in satisfaction of these rights to be attached as annex to treaty; and provision that any properties or property interests allocated to signatory powers be subject to Austrian law.
5. If Soviets agree to discuss proposal, to place Austrian treaty among first items CFM agenda.

No recommendations made at this time for precise content or manner in which proposal should be presented to Soviets. Preliminary discussions should be undertaken by three govts on basis of factual material collected by delegations to Treaty Commission in order to agree on fair, reasonable, and precise offer which may be calculated in monetary terms. Since foregoing proposal conforms in general with approach French Del Vienna Oct 8, such discussions of three govts should be facilitated. Dept has recommended that exact offer be made to Soviets approximately Nov 6 when Deputies convene. Govts asked to express their views and suggest most expeditious means for formulation precise offer. End summary.

You are requested to discuss this proposal with FonOff and urge interchange of views at earliest possible time.

Dept recognizes that in order to obtain Soviet agreement to a definitive proposal for disposition of German assets in Eastern Austria it may be necessary to propose plan for disposition of German assets in Western Austria. Dept would be willing to discuss this topic.

Sent *mutatis mutandis* to London and Paris; repeated for information to Moscow and Vienna.

LOVETT

²³ Document CFM/ATC (47) 76, October 8, 1947, p. 620.

740.00119 Council/10-1747

*Memorandum of Conversation, by the Chief of the Division of Central European Affairs (Beam)*²⁴

SECRET

[WASHINGTON,] October 17, 1947.

Participants: Ambassador Murphy Sir William Strang
 Mr. Hickerson Major General Brownjohn
 Mr. Reber Mr. Dean
 Mr. Beam
 Mr. Offie

The above-named British officials called at the Department for an informal discussion, "at the working level", of preparations for the forthcoming London CFM. Strang said he was generally pessimistic about an agreement at London and he thought this view was shared by Mr. Bevin whose recent statements about the critical nature of the meeting and the undesirability of failure were probably put out necessarily to reassure the public.

Strang agreed with the United States position that Austrian questions should not be discussed at the deputies' meeting starting November 6, since the report of the Austrian Treaty Commission²⁵ should be sent direct to the CFM. He saw no need for the appointment of an Austrian deputy for the deputies' meeting.

Strang mentioned that at Moscow CFM had referred to the deputies the questions of prisoners of war, reduction of forces, and displaced persons. He agreed with the US view that the deputies should avoid, if possible, a discussion of basic issues and should endeavor simply to draw up an agenda for the CFM consisting of a small number of main problems which would determine the success or failure of agreement. Strang concurred with the US opinion that these main problems might be envisaged as follows: Economic principles, including reparations; the demilitarization treaty; provisional government, including electoral procedures, basic freedoms and human rights; and reduction of occupation forces.

Strang thought it possible that the Soviets would concentrate on attacking the US-British bizonal fusion²⁶ but at the same time might put forth proposals which the US and UK might find it embarrassing to reject. These proposals might include the withdrawal of occupation forces, a seemingly reasonable settlement on reparations and economic principles, and possibly an offer of foodstuffs for Germany. He em-

²⁴ A virtually identical memorandum of conversation by Beam, dated October 16, 1947, is filed separately under 740.00119 Council/10-1647.

²⁵ Document CFM/ATC (47) 77, October 11, 1947, p. 631.

²⁶ For documentation on the economic cooperation and coordination between the United States and United Kingdom zones of occupation in Germany, see pp. 909 ff.

phasized Soviet interest in obtaining a part in the Ruhr administration and thought they might be prepared to make concessions to this end with a view to confusing and hampering German reconstruction along Marshall Plan lines.²⁷ He stressed the UK was opposed to any premature action in Germany and felt that withdrawal should be postponed until completion of punitive action, such as demilitarization and reparations payment. He mentioned that the UK desired a theoretical equality of forces with the Soviets, and suggested that reduction be approached through the consideration of occupation costs on which some progress had been made in the ACC.

Strang pointed out that Soviet economic and political objectives in Germany contradicted each other. He was doubtful about the desirability of immediate German unification since this might extend the scope of the Marshall Plan to all of Germany under conditions whereby the Soviets nevertheless would be able in effect to siphon out Marshall Plan assistance through reparations claims and the earmarking of current production.

Strang mentioned the problems that would be created by French participation in a trizonal fusion should the CFM fail and considered that many difficulties would ensue from French disagreement with UK and US policies and organization for the western area. He agreed with US informal opinion that while a streamlining of the present organization was necessary and might have to take the form of a virtual provisional government, nevertheless this organization should not in fact be called a government or lead to the setting up of a separate German state but might be conceived of as a kind of provisional administration. He likewise agreed with the desirability of the western allies remaining in Berlin and of continuing to participate in the work of the ACC.

[JACOB D. BEAM]

740.0011 EW (Peace)/10-2047 : Telegram

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

SECRET

LONDON, October 20, 1947—6 p.m.

5612. We have discussed with Foreign Office German officials Urtel 4452, October 15²⁸ and they have today recommended to Foreign Secretary Bevin acceptance US views on basis discussion early November London by US-UK-French experts (1) tactics to take with USSR and (2) actual terms of offer.

²⁷ For documentation on the European Recovery Program, see volume III.

²⁸ *Ante*, p. 685.

If Bevin approves, instructions will be sent British Embassy Washington to contact Department in matter. At this stage Foreign Office feels it will be necessary to bargain with USSR rather than to present it with precise exact offer in monetary terms. Officials also hold view Soviets not likely to be willing to come to settlement during CFM or deputies meeting. However, they agree effort should be made and that "US paper provides satisfactory basis for discussion by experts".

GALLMAN

740.00119 Council/10-2447

Memorandum of Conversation, by the Chief of the Division of Central European Affairs (Beam)

SECRET

[WASHINGTON,] October 24, 1947.

Participants: Mr. Hickerson Sir William Strang
Mr. Reber Mr. Dean
Mr. Beam Mr. Allen

At their own request, above-named British officials called to discuss informally further questions for London CFM agenda. They furnished paper, attached herewith,²⁹ showing status of items previously dealt with by Moscow CFM.

Strang pointed out that the deputies meeting starting November 6 would presumably prepare reports to CFM on following items: (1) Compensation for United Nations interests affected by reparations; (2) Provisional political organization of Germany; and (3) Procedure for German peace settlement. Strang agreed with US side that deputies should furthermore be charged with drafting recommendations for main agenda for CFM. He indicated that Bevin, as Chairman, might approach the other three governments suggesting they give such authority to their deputies.

Strang confirmed British agreement with US that CFM agenda should be short and should deal only with principal items. After dis-

²⁹ The undated British paper under reference here read as follows:

"(a) *Austria*—by virtue of report from Treaty Commission

"(b) *Matters left on the Agenda at Moscow*

(1) Economic principles, level of industry and reparations.

(11) German frontiers, Ruhr, Rhineland and Saar.

(111) The Four Power (Byrnes) Treaty.

"(c) *Matters to be discussed by the Deputies in November*

(1) Compensation for United Nations interests affected by reparations.

(11) Provisional political organization of Germany.

(111) Procedure for German peace settlement.

"(d) *Matters referred to the Allied Control Council in Berlin*

(1) Disagreed items in Part I of Moscow document M/148.

(11) Repatriation of German prisoners of war.

(111) Limitation of occupation forces."

cussion, summarized below, it was tentatively agreed that participants should suggest to their respective Ministers that US and British deputies should endeavor to obtain an agenda for CFM consisting of following items in order given :

1. Austria
2. Economic principles
3. Deputies report on provisional political organization of Germany (see above)
4. Four-Power demilitarization treaty
5. Other business

(British indicated that by later decision by Foreign Office they might also wish to include question of German frontiers, in particular the claims of Belgium, the Netherlands, and Luxembourg).

It was informally agreed that if CFM "failed to succeed" it was better that breakdown occur respecting Germany rather than Austria, which is a more topical question at present time. Austrian question should therefore be placed first and, after brief initial discussion, could be referred by CFM to deputies for study and report. CFM could then pass to concurrent consideration of German problems.

Participants felt that economic principles was item of critical importance and should follow next. A suggestion was rejected that start be made with democratization, since this could lead to fruitless re-creation. British proposed desirability of dealing with the Saar, Ruhr and Rhineland, particularly since they thought it advisable to obtain, if possible, quadripartite agreement to economic integration of Saar with French.³⁰ US side pointed out that Saar involved questions of coal distribution and reparations adjustment and could therefore be discussed under economic principles. British tentatively agreed. US participants were reluctant to present Belgian, Luxembourg and Netherland claims for discussion, feeling these could be settled provisionally on tripartite basis in same manner that eastern area was unilaterally put under Polish provisional administration. US side favored exclusion of eastern frontier from discussion, reserving its decision whether some statement might later be made that US position on this question remains the same. Such statement would obviate inference that US had given tacit consent to present provisional boundary.

It was held possible that Soviets might refuse to follow probing process envisaged in short agenda and might wish to throw entire range of questions open for discussion; they might also make sensational proposal, accepting main points of US and British positions

³⁰ For documentation regarding the interest of the United States in the integration of the Saar into the French economy, see pp. 1073 ff.

and involving plan for withdrawal of occupation forces. Intention of this maneuver would be to obtain unified Germany in which Soviet participation could sabotage Marshall Plan. It was agreed that US and British might well disapprove withdrawal of occupation forces on ground that job in Germany is not yet done; at all events, as conditions for acceptance of any Soviet offer, US and British would wish to restate their essential requirements, in particular the provisions in the Clay-Robertson paper of December 1946³¹ which set forth the terms on which the US and British would agree to economic unification. It would be understood that pending negotiation for quadripartite unification, the US and British would proceed with plans for a closer integration of the western zones, probably including the French. It was remarked that in view of the political uncertainty at home, the French might prove more difficult to deal with regarding particular German problems, although they would essentially be on the side of the western nations.

It was envisaged that the following incidental items could be dealt with under "other business": Compensation for United Nations interests affected by reparations, current demilitarization, repatriation of German prisoners of war, and limitation of occupation forces. Should the Ruhr be presented for discussion, it might well be dealt with in connection with the Four-Power demilitarization treaty. British agree with US that further work on treaty procedure is premature at this time.

[JACOB D. BEAM]

740.00119 Control (Germany)/10-2647: Telegram

*The Political Adviser for Germany (Murphy) to the Director of the Office of European Affairs (Hickerson)*³²

SECRET

BERLIN, October 26, 1947—3 p.m.

3437. Personal for Hickerson. I hope that consideration is being given suggestion that prior to London meeting public statement be made outlining the US position regarding Germany. On return here³³ I am convinced that the German internal situation requires an effort on our part to offset the wholesale Soviet effort to swing German public opinion against the US. I fear that secure in our belief in the purity of our intentions we are inclined to complacency. Whatever our own intentions we should not forget that the US is closely asso-

³¹ Not printed.

³² No action appears to have been taken on this telegram.

³³ Earlier in October, Murphy had been in Washington in connection with the American-British discussions on the revision of the Bizonal Fusion Agreement of December 1946. He returned to Berlin in late October.

ciated in the German mind with France and the UK. While the average German may realize that the US contributes much to German welfare, he regards US as influenced by France and England. The latter are distrusted in the economic field. Few Germans doubt that France and England are exploiting Germany's present plight for their selfish commercial ends, and we become associated with this notion. Soviet propaganda plugs this line, together with the charge that we and the western powers are working for the partition of Germany. The Soviet propaganda campaign far overshadows our slender efforts.

That the British also believe that an effort should be made to stem a trend of increasing German opinion adverse to the west is apparent from Lord Pakenham's London statement of October 25 which please read. If Department is disinclined to put out something on Cabinet level along similar lines or those suggested to you, then it should be done on a lower level. Saltzman or the Under Secretary might be willing to make a statement that could be built up by our information media here. The announced western plan to dismantle an important list of factories on reparations account is having a serious impact on German thinking. If we remain silent and go into the London meeting cold we can expect the USSR to take full advantage.

Sent to Department as 3437. Copies via pouch to London and Moscow.

MURPHY

740.00119 Council/10-3047

Memorandum of Conversation, by the Chief of the Division of Central European Affairs (Beam)

SECRET

[WASHINGTON,] October 30, 1947.

Participants:	Mr. Hickerson	Sir William Strang
	Mr. Reber	General Brownjohn
	Mr. Beam	Mr. Dean
		Mr. Allen

Above-named British officials called at their own request to continue, on a purely informal basis, conversations regarding London CFM.

For their purely private information, Mr. Hickerson mentioned to the British that he had just seen Secretary Marshall. The Secretary approved of the idea previously discussed informally with the British that the CFM agenda should be limited to a very few items and that the session should, if possible, be short. He agreed with the British suggestion that Mr. Bevin, as representative of the inviting country, propose to the other three nations that they instruct their deputies

to draw up an agenda for the CFM at the deputies meeting starting November 6. As to the list of questions mentioned in the discussion with the British on October 24,³⁴ the Secretary wished to consider this matter further. He also desired to give further consideration concerning the Four-Power demilitarization treaty before issuing instructions to the US deputy.

Sir William Strang said he had received word from his government suggesting that further consultations might be held between the US and British, and possibly the French, concerning the provisional political organization of Germany before the deputies meeting. It was pointed out, that in view of the limited time available, it might be difficult to arrange these in Washington, particularly since the French Embassy here was not *au courant* with German questions. Although the US could not give its formal consent as yet, it was envisaged these conversations might take place during the early days of the deputies meeting in London.

With reference to earlier talks concerning provisional government and the US suggestion that steps be taken to set up a government without proceeding first to the establishment of administrative agencies and an advisory council,³⁵ Sir William Strang inquired whether it was intended that the Control Council would issue a broad directive and proceed at first to the creation of a German governmental body on a nominative basis. He was advised the US thinking at the working level ran on the lines that the Control Council should issue such a broad charter providing for the nomination at first of a German governing body and the holding of elections as soon as possible thereafter.

Sir William Strang then said that the British authorities in Germany had endeavored to make an evaluation of the electoral strength. They believed that if national elections were held the anti-Communist element would have a substantial majority. They furthermore thought that if agreement on a German government structure were obtained at London, the Soviets would not suppress the non-SED parties, which might even show a gain under internationally supervised elections.

Sir William Strang agreed that further thought should be given to the question whether a demand for licensing of the SPD in the Soviet Zone should be made prior to the holding of the first national elections or whether authorization for the SPD throughout the four zones

³⁴ See the memorandum of conversation by Beam, October 24, p. 689.

³⁵ Mr. Beam, Major General Brownjohn, and other American and British officials informally discussed the future German governmental structure and the creation of central administrative agencies during meetings on October 18 and 22. Beam's memoranda of these conversations are not printed (740.00119 Control (Germany)/10-2047 and 10-2247).

should be taken up in the constitution for Germany. The British in Berlin believed that the SPD would obtain a sweeping victory if authorized in the eastern zone. Sir William Strang furnished the following estimate of voting strength prepared by the British in Berlin:

<i>Communist</i>	<i>Millions</i>	
S.E.D. Soviet Zone & Berlin	5.1	
K.P.D. Western Zones	1.7	
	—	6.8
<i>Anti-Communist</i>		
S.P.D. Western Zones only	7.2	
C.D.U. Western Zones	6.9)	
Soviet Zone	2.4)	9.3
L.P.D. Four Zones	4.3	
Miscellaneous (Western Zones)	1.4	
	—	22.2

Sir William Strang referred to conversations which had taken place between the Foreign Office in London and Mr. Chauvel of the French Foreign Office along the lines of the informal talks we have been holding in Washington. For the Department's strictly private information he left a paper, attached as Annex A, reporting on the conversations with the French, and another paper (Annex B)³⁶ containing certain suggestions made by the French. He inquired whether it might not be useful to enter into informal talks on a tripartite basis during the early days of the deputies meeting in London. He was informed that the Department would wish to give this matter further consideration before giving a reply. With respect to the item "future of the Rhineland" suggested by the French for discussion after the CFM, Strang said this presumably related to the French desire for some form of permanent occupation of the Rhineland.

Strang proposed that should the CFM break down in London conversations should be continued between the U.S., British and French for trizonal fusion and the creation of a necessary administrative or governmental organization. Mr. Hickerson opposed this suggestion on the grounds that there should be a clean break between the quadripartite negotiations and subsequent discussions for a reenforcement of western zonal fusion. Strang admitted the force of this argument, which he would transmit to London.

[JACOB D. BEAM]

³⁶ A marginal notation at this point, presumably written by Beam, reads as follows: "Both of these are purely informal and should not be used as the basis for discussion at this stage." Annex B is not printed.

Annex A

British Paper on Recent British-French Conversations

Conversations have recently taken place at the Foreign Office with M. Chauvel concerning the French view on the Ruhr and the Council of Foreign Ministers.

It was made clear that the Foreign Office would not be able to enter into detailed discussions until the early part of November.

As regards the Ruhr, M. Chauvel reported that M. Bidault had told Mr. Marshall that M. Bidault agreed that the question of international ownership of the mines and steel plant should be held over. As to the occupation regime, M. Chauvel proposed that the agreements recently concluded on the production of coal should be modified to allow for two Directors General instead of one, one being responsible for the Ruhr and the other for the Aachen basin. He also proposed that the Allied Control Group should have the functions of an Administrative Council, approving the general plan of production and policy and having immediate access to any information required. The international authority, when eventually set up, would have the task of allocating coal and coke production between internal German consumption and export and would comprise representatives of the U.S.A., U.K., France and Benelux as well as German representatives.

Concerning the Council of Foreign Ministers, M. Chauvel proposed that there should not be any agenda but that a list of subjects for discussion should be prepared and that agreement should be reached beforehand upon the order of their importance and the tactics to be pursued upon them during the Conference. Discussion should be undertaken of what was to be done if the Conference broke down. Fusion of the zones and connected questions such as guarantees of security and a disarmament treaty on a three-Power basis should be discussed under this head. A definition should also be arrived at of what would be regarded as a failure of the Conference. Either a break down of the Conference or failure to agree on the means of achieving German economic unity might be considered to constitute a failure.

M. Chauvel was particularly anxious for consideration of the action to be taken if the Soviet Government proposed the evacuation of Germany. He suggested that a reply should be given stressing the necessity of previous agreement on economic unity, level of industry, preparations, security, demilitarization, methods of inter-Allied control and the permanent occupation of certain areas.

It became clear that as a result of the trend towards a deGaullist Government in France the French were mostly occupied with the military aspects of the German security problem.

740.00119 Control (Germany)/10-3147 : Telegram

The Ambassador in Belgium (Kirk) to the Secretary of State

SECRET

BRUSSELS, October 31, 1947—5 p.m.

1700. In recent conversations with high official Foreign Office, it was explained that very close cooperation in political fields exists between three Benelux nations. Not only is their economic solidarity being improved and increased but also their cooperation and consultation in matters of foreign policy is being augmented and extended. It was intimated that at present attention in political sphere focuses upon question concerning Germany wherein all three powers feel they have special interests and special knowledge. In particular it was stated that just as Benelux spoke with one voice at ECE Paris so they were prepared to respond similarly when and if consulted in matter affecting Germany. When I inquired if this implied desire to be accorded official opportunity to participate in CFM London meeting, response was to effect that Benelux Foreign Ministers recognized freely predominant interest four major powers in broad features any such conference, but it was their hope recognition would be given their views on problems affecting their interests. They were prepared, for example, to put forward single Benelux representative to explain their views on questions involving Ruhr or Rhine river traffic and analogous matters wherein their long experience as neighbors, customers, travellers, etc., would indicate their special competence. They would willingly appoint one Benelux representative to sit on Control Commissions feeling definite contribution would thus be made due to their understanding German mentality, psychology, commercial methods, technical terminology. As remarked rather wryly, their experiences with Germans in peace, in war and in occupation had afforded wide occasion to understand German character.

Personally, I am very favorable to Benelux representation upon such commissions and consider participation would not only increase realistic approach but would also lighten our own responsibilities both as to performance and as to personnel.

Sent Washington No. 1700, repeated The Hague by courier.

KIRK

740.00119 Council/11-447

Memorandum of Conversation, by the Chief of the Division of Central European Affairs (Beam)

SECRET

[WASHINGTON,] November 4, 1947.

Participants: Mr. Hickerson Sir William Strang
Mr. Reber General Brownjohn
Mr. Beam Mr. Allen

Sir William Strang said he had heard that his Government was informally in general agreement concerning list of subjects and order of agenda discussed in US-UK informal meeting of October 24 (see memorandum of same date ³⁷) namely:

1. Austria
2. Economic problems
3. Provisional political organization
4. Four-Power demilitarization treaty
5. Other business.

British Foreign Office agreed that the Saar might be dealt with under economic problems rather than in the course of a separate discussion on frontiers, but were not sure whether the French would approve this procedure. British were inclined to feel that frontier claims of western nations should be taken up by CFM; they had no strong convictions on this point, however, and believed it could be dealt with under other business.

British Foreign Office confirmed advisability of discussing provisional political organization after economic problems. At the same time, political considerations could be brought in by US and UK in connection with treatment of economic problems, by way of testing any insincere Soviet proposals. Thus, economic and political would be inseparably bound together. Any sensational Soviet proposal for establishment of central government would be subjected to economic and political tests.

Strang envisaged that other business might comprise question of compensation to UN interests affected by reparations as well as frontiers. He did not favor discussion of limitation of forces since he believed Soviets would maintain their position that Soviet forces should equal double of US and UK. Strang indicated that Bevin will propose that deputies outline agenda for CFM. He said Foreign Office may wish to continue discussions with French on the lines of present informal talks with US and UK in Washington.

³⁷ *Ante, D.* 689.

Mr. Hickerson emphasized US feeling that US-UK and French deputies should confine themselves to purely informal consultation regarding agenda and tactics and should not discuss substantive questions in advance or give impression that they were arriving at prior agreement without Soviets, which would make it difficult for CFM to succeed. With respect to French suggestion made to British that deputies present list of subjects for CFM, it was informally agreed there was no objection to discussion along these lines, although it might be hoped that subjects and their order would roughly correspond to list given above.

Mr. Hickerson again stressed that contact between US, UK and French deputies should be purely informal; that there should be no advance preparations for tripartite arrangement in event of CFM failure, and that if CFM broke down there should be a clean break between its discussions and subsequent consultations respecting tri-zonal organization. This applied equally regarding the conversion of the Four-Power disarmament treaty into one entered into by the three countries. Mr. Hickerson expressed the hope that there nevertheless would be effective liaison between the three delegations after the conference starts.

In response to British inquiry, Mr. Hickerson informed Strang that US had no objection to Foreign Office presenting British draft of Four-Power disarmament treaty to French at an early date.

[JACOB D. BEAM]

740.00119 Council/11-547: Telegram

*The Secretary of State to the Political Adviser for Germany
(Murphy) at Berlin*

SECRET
URGENT

WASHINGTON, November 5, 1947—6 p.m.

2232. For Murphy.

(1) Dept of opinion that only questions specifically referred by Moscow CFM to Deputies for Germany are:

- (a) Provisional political organization for Germany;
- (b) Procedure for preparation German peace treaty.

Record indicates that while Deputies at Moscow recommended reference to Deputies of US proposal on compensation for United Nations property removed as war booty or reparations, CFM did not consider or act on this recommendation. Dept is adverse to discussion this latter topic by Deputies since it involves complicated reparations issues.

(2) Strang informs Dept that Bevin will propose that Deputies address themselves to drawing up agenda for CFM. Strang informed this course agreeable US Govt. Austria might well be given first place

on agenda by virtue ATC report to CFM. If Bevin's suggestion adopted, it is US view that order other questions should be economic problems, provisional governmental organization, draft demilitarization and disarmament treaty and "other business." French apparently have in mind list of questions rather than fixed agenda presumably in interest more flexibility. Dept has no objection such list although it believes it desirable topics should follow suggested general classifications and that it should be understood that Ministers be free to pass from one question to another without completion discussion on each. Keep Dept informed concerning agenda discussion. Instructions will be sent you whenever necessary.³⁸

(3) Deputies will presumably prepare reports to CFM on questions mentioned par. (1). Dept would like have substantive discussion avoided if possible on provisional Govt or other issues since it is believed adoption fixed positions in Deputies might render work CFM more difficult. If such discussion can not be deferred US delegation may put forth in general terms proposition outlined in Dept's preliminary position paper that subject to satisfactory agreement on economic unification of Germany immediate steps be envisaged for setting up provisional governmental body instead proceeding by way of administrative agencies and advisory committee agreed at Moscow. Re peace treaty procedure, there would seem to be no objection to an exchange views in which US would maintain its previous stand in matter consultation with non-CFM United Nations.

(4) Dept agreeable you may informally and unobtrusively consult Brit and French deputies re list agenda items and CFM procedural matters but desires you refrain from preparation with them of joint positions on basic CFM questions and particularly steps that may have to be taken on tripartite basis in event conference failure.

Repeated to London as No. 4721.

MARSHALL

862.00/11-547 : Telegram

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

SECRET

PARIS, November 5, 1947—5 p.m.

4737. From conversations with persons close to De Gaulle it seems apparent that latter's views on German problem have undergone little,

³⁸ Telegram 4746, November 7, to London, informed and instructed Murphy additionally as follows:

"Brit Emb note Nov 6 conveys Bevin's proposal, communicated likewise Soviet and French Govts, that Deputies settle items and order CFM agenda, suggesting it be agreed that CFM continue discussion each agenda item for so long as progress being made and that event no agreement on particular item CFM pass to discussion next item. You authorized negotiate preparation CFM agenda this sense." (740.00119 Council/11-747)

if any, fundamental change since his departure from government in January 1946. While De Gaulle apparently recognizes that a sound German economy must be reestablished, and in fact would like to see France profit economically from a prosperous German economy, he apparently is nonetheless still adamant that there be no central German government or political administration for Germany, or for western Germany in the event that Russian policy results in cutting Germany in two. His thinking on Germany is still in terms of several independent German states, organized largely for economic purposes into a loose federation. In other words, while not opposed to the economic unity of Germany, De Gaulle remains opposed to its political unification or centralization.

I have and shall, of course, continue strongly to point out to members of De Gaulle's entourage and others who share his views the basic contradictions and lack of realism in much of their thinking. In particular I have pointed out to them that if Germany is cut in two and Russia organizes a strong centralized eastern German state, such a state if pledged to the reunification and emergence of a strong centralized Germany, would have an irresistible appeal to many Germans living in western Germany under any such political system as advocated by De Gaulle's followers.

(From our point of view the present French Government or any central coalition which may succeed it will be infinitely easier to deal with on Germany than De Gaulle, should the latter come to power. In particular the Socialists and the MRP group of the Bidault-Teitgen tendency are less rigid and more realistic in their thinking and desire to reach a satisfactory agreement with US.)

Sent Department, repeated to Berlin as 412 and to London for Murphy as 828.

CAFFERY

740.00119 Council/11-547

*The Chinese Minister of Foreign Affairs (Wang) to the Secretary of State*³⁹

In view of the forthcoming meeting in London of the Foreign Ministers of France, the United Kingdom, the United States of

³⁹ This message was transmitted to the Secretary in a note of November 5, 1947, from the Chinese Ambassador in Washington, not printed, which indicated that identic notes were being sent to the French, Soviet and British Foreign Ministers.

The Secretary of State's reply to Foreign Minister Wang, which was contained in a note of November 17, 1947, to the Chinese Ambassador, not printed, read as follows:

"When on several previous occasions the question of the procedure for the preparation of a peace settlement for Germany was raised, this Government

America and the Union of Soviet Socialist Republics to resume discussion of the preparation of a peace settlement for Germany, the Chinese Government desires once again to invite the attention of the Government of the United States of America to the position which it has made clear in its note to the Government of the United States of America on January 15, 1947.⁴⁰

It is to be recalled that the views of the Chinese Government as stated in the above-mentioned note were given support by the Government of the United States of America in its reply dated February 5, 1947.⁴¹ The French and the United Kingdom Governments took the same favorable view of the Chinese Government's position.

The Chinese Government has maintained and still maintains that, according to the terms of reference laid down in the Potsdam Agreement,⁴² the Council of Foreign Ministers which is constituted by the Foreign Ministers of China, France, the Union of Soviet Socialist Republics, the United Kingdom and the United States of America, is charged with the whole range of the preparatory work for the various peace settlements. The drawing up of peace treaties has been delegated to certain of their members who are more specifically concerned. But the competence of the drafting Powers is limited to the preparation of the relevant treaty texts. All questions relating to the convocation of the peace conferences and their procedure are matters for discussion by the full Council or for prior consultation and agreement among the five Foreign Ministers.

When the Foreign Ministers of the Union of Soviet Socialist Republics, the United Kingdom and the United States of America met in Moscow in December 1945 and agreed on a procedure for the preparation of peace treaties with Italy, Rumania, Hungary, Bulgaria and Finland, the concurrence of the Foreign Ministers of France and China was sought and given.⁴³ Although the drafting of these treaties was undertaken only by the deputies of the Foreign Ministers of those Powers whose Governments were signatories to the respective terms of surrender, the Peace Conference held in Paris in 1946 was convened by France as the host nation in the name of the whole Council, and the Chinese Foreign Minister again shared the rotating chairmanship of

made clear that it favored the inclusion of China among the sponsoring Powers for the conference to consider the peace settlement for Germany. This Government continues to adhere to this position." (740.00119 Council/11-547)

⁴⁰ *Ante*, p. 145.

⁴¹ *Ante*, p. 153.

⁴² See Part II of the Report of the Tripartite Conference of Berlin, August 2, 1945, *Foreign Relations*, The Conference of Berlin (The Potsdam Conference) 1945, vol. II, p. 1500.

⁴³ For documentation on the Tripartite Conference of Foreign Ministers in Moscow, December 16-26, 1945, see *Foreign Relations*, 1945, vol. II, pp. 560 ff.

the Peace Conference with the other four Foreign Ministers of the Council.⁴⁴

The preparation by the Council of Foreign Ministers of a peace settlement for Germany involves, in the view of the Chinese Government, the same principles. While the drawing up of the peace treaty may be entrusted to France, the United Kingdom, the United States of America and the Union of Soviet Socialist Republics as Powers signatories to the terms of surrender for Germany, China is entitled to participate in discussions to determine the time and place for the German Peace Conference, its composition, agenda and other related matters. It also follows that China has the right to be one of the inviting Powers.

851.00/11-647 : Telegram

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

SECRET

PARIS, November 6, 1947—1 p.m.

4757. Discussing in strictest confidence the forthcoming Foreign Ministers' meeting in London, Chauvel said to me last evening that while the French want very much to reach agreement with US on Germany, their position "for internal political reasons" is nonetheless very difficult. He described the "psychosis" of the French public as the result of having been invaded by Germany three times in seventy years and said that the Communists on one hand and De Gaulle on the other (my 4737 November 5⁴⁵) will almost certainly attack bitterly any French decision which even appears to give the slightest impression that the French Government has "sold out" to US.

With the foregoing in mind, Chauvel said he hoped (1) that at the very outset of the meeting either ourselves or the British would make abundantly clear to the Russians the problems on which we expect a decision to be reached at the meeting. Should the Soviets then engage in their usual evasive delaying tactics (as Chauvel believes they will) and the conference break down, it will then be clear to everyone including the French people exactly where the responsibility for the failure of the conference rests. (2) He also said that if the French subsequently go along with US and the British, such action would have to be presented to the French public in such a way that there can be no doubt whatsoever that France's security requirements are in any way jeopardized.

Chauvel said in all statements, etc., the French would have to continue to harp on the theme of French security and the fact that the

⁴⁴ The records of the Paris Peace Conference are included in *Foreign Relations*, 1946, vols. III and IV.

⁴⁵ *Ante*, p. 699.

French Government is determined to insure it and will not sacrifice it just to reach an agreement.

Repeated to London for Ambassador Murphy as 829.

CAFFERY

CFM Files : Lot M-88 : Box 112

*United States Daily Journal of Meetings, Deputies for Germany of the Council of Foreign Ministers, London, November 6-22, 1947*⁴⁶

SECRET

November 6, 1947

The first Deputies⁴⁷ session convened at 3:30 p.m. and, after fifteen minutes of klieg lights and photographers, got down to work at 3:45 p.m. with Patrick Dean acting as host and temporary chairman. It was agreed that the chairmanship should rotate after every fourth meeting starting with the next meeting; USSR, US, France, UK, in that order.

It was decided that as usual the press would be excluded from the session and that each delegation would take care of its own press relations.

Subsequent meetings are to take place at ten in the morning, thus dispensing with late afternoon sessions.

There was some debate as to what the agenda for the Deputies should include. There was agreement on two items: procedures for German Treaty, and the structure of provisional government for Germany. On a third item, namely, compensation for United Nations nationals for property removed from Germany as reparations or war booty, US and UK delegates believed that it was on the agenda by direction of the CFM in Moscow, whereas the French and Soviet delegations thought otherwise.

It was finally agreed that the first two items were on the agenda and that a decision regarding the third item would be temporarily postponed. (Mr. Dean informed Mr. Offie⁴⁸ after the meeting that he had

⁴⁶ This Journal was included as Annex Q to the Report of the Activities of the United States Delegation to the Deputies for Germany of the Council of Foreign Ministers, November 22, 1947, prepared by Kenyon C. Bolton, Secretary of the Delegation.

Following each meeting of the Deputies, a telegraphic report was sent to the Department of State. These telegrams are included in file 740.00119 Council. The United States Delegation Minutes are included in CFM Files, Lot M-88, Box 112 as are copies of formal documents circulated during the meetings of the Deputies.

⁴⁷ The Deputies for Germany were: United States—Robert D. Murphy; United Kingdom—Patrick Dean; France—Tarbé de Saint Hardouin; Soviet Union—Andrey Andreyevich Smirnov.

⁴⁸ Carmel Offie, of the staff of the United States Political Adviser for Germany, was serving as a member of the American Delegation to this meeting of the Deputies.

heard from Strang to the effect that the Department had also changed its mind on this matter and now felt that it should not be on the agenda for the Deputies.) The Soviet Delegation stated that each delegation had the right to put forth any question which it desired.

Because of the 30th anniversary of the Soviet Communist Revolution no meeting was to be held on Friday the seventh. The next meeting was therefore scheduled for 10:00 a.m. Saturday morning under U.K. Chairmanship and the first item was to be procedures for the preparation of the treaty.

Session ended about 5:30 p.m.

November 8, 1947

The Deputies meeting opened at 10:00 a.m. with Patrick Dean as Chairman. As the first item of business Mr. Dean suggested that we take up the question of an Information and Consultation Conference—part II of the procedures paper (CFM/47/M/125⁴⁹). Soviet delegate, however, wanted to start at the beginning and go through the paper point by point. The other delegates conceded to the wishes of their Soviet colleague.

First point raised was the inclusion of Albania among the 18 (or 19) priority nations. The Soviet and French delegates supported Albania and the US and UK opposed it. The arguments which were used last winter at London and last spring at Moscow were reiterated. It was finally decided to drop the matter and go on to the next item.

One new point arose: namely, the inclusion of Pakistan among the agreed participating nations. Since India had been divided the UK delegate suggested that Pakistan as well as India be included in this list of nations. French and Soviet delegates reserved their position subject to reference to their home governments. The US delegate agreed to the inclusion of Pakistan.

The Soviet delegate referred to a statement made at Moscow by the US delegate to the effect that one of the reasons why Albania should be excluded was that the US did not maintain diplomatic relations with this country. The Soviet delegate wanted to know specifically if this was a determining reason. He was obviously aiming at Brazil which has recently broken off diplomatic relations with the USSR. He was informed that the reference Moscow statement was made only in passing and was not particularly germane to the subject being discussed.

The next topic discussed was paragraph 4 of CFM/47/M/125 "after formation of an adequate German government". Soviet delegate cited

⁴⁹ *Ante*, p. 452. As slightly amended by the Deputies for Germany at this and succeeding meetings, CFM (47) (M) 125 was reissued as document CFM (D) (L) (47) (G) 78 rev., November 12, 1947, not printed. Differences between the two documents are indicated in annotations to CFM (47) (M) 125.

Potsdam and insisted that no peace treaty could be written prior to the formation of a German Government which could present its views. The other three delegates reading the same section of Potsdam could not get this interpretation and were opposed to delaying the actual drafting of a treaty until after adequate German government was established.

No agreement could be reached and the issue was dropped.

The third point discussed was the inclusion of China among the inviting powers of a German peace conference. Soviet delegate insisted that inasmuch as China was not a signatory to the German surrender she should not be included among the inviting powers. The other three delegates maintained their earlier position that China should be included and as no agreement was possible the issue was dropped.

The fourth point discussed was the composition of the future peace conference. The US, as previously, wanted a broad representation of the nations with full and equal rights. The French delegate reserved his position stating that the composition of the peace conference largely depended upon decisions which would be taken with respect to the composition of the four committees and the Information and Consultation Conference. The UK position was substantially that of the French, the UK delegate believing that the US proposal would make a rather large and unwieldy conference and that the matter might be left to the conference itself which once convoked could invite such other countries confined to the priority nations (18 or 19, depending on whether or not Albania was included) plus UK, US, France, USSR and China. The Soviet delegate argued lengthily against the inclusion of such countries as the Philippines and Chile being on a par with Canada and India. He saw no reason why countries should be invited to the peace conference merely because they had declared war on Germany. He repeatedly emphasized that nations which declared war on Germany as late as March 1945 had no claim to participation in the peace treaty.

Being unable to reach any agreement, the issue was dropped.

The fifth and last point discussed was the type of German participation in the writing of the peace treaty. The US wanted to grant audience to "representative Germans" whereas the Soviet delegate insisted that satellite governments were given a voice in the writing of their treaties and that a German government should have the same privilege. The UK and French delegates maintained the positions held at Moscow.

Again no agreement was reached and the issue was dropped.

The meeting adjourned at 12:30 p.m. after deciding that the next meeting would be at 4:00 p.m., Monday, November 10.

November 10, 1947

Third meeting of Deputies opened at 4:15 p.m. UK in chair, Office representing US.

Sovdel, referring to earlier mentioned cable of Mr. Bevin's,⁵⁰ submitted Soviet proposal for CFM agenda.⁵¹

Chairman asked about inclusion of Pakistan in list of priority nations and French agreed. Soviet delegate said he had no instructions as yet.

Turning to paragraph 5, part I of CFM/47/M/125, Soviet delegate insisted that American proposal with regard to recommendations of 2/3 of majority of representatives of peace conference violated earlier agreed part of CFM/47/M/125 which stated that US, UK, France and USSR write the preparatory peace treaty. French suggested certain minor changes in wording and US member agreed to study matter. No agreement was reached so the conference passed on to paragraph 6.

There was a lengthy discussion as to whether or not a German government should sign and ratify the peace treaty and whether or not there should be a constitutional clause accepting the peace treaty. UK and USSR pointed out that signature and ratification was necessary according to international law to make the instrument legal. France expounded on necessity of broad acceptance by German people and wanted constitution to contain such acceptance clause. The Soviet delegate, when asked if he would accept the requirement of a constitutional clause as well as a signature and ratification by the German government, replied in the negative saying that he saw no point to it at all.

That part of paragraph 6 stating that the draft treaty would be presented to the other countries at war with Germany was not discussed since if agreement could be reached on the US proposal as to the composition of the treaty conference, all such nations would of course be present.

The first paragraph of part II of CFM/47/M/125 again brought up the question of the inclusion of Albania and Pakistan and there was no discussion.

⁵⁰ The reference here is to Foreign Secretary Bevin's proposals, communicated to the American, French, and Soviet Governments on November 6, regarding the tasks to be undertaken by the Deputies for Germany; see footnote 38 to telegram 2232, November 5, to Berlin, pp. 698, 699.

⁵¹ The agenda proposed by the Soviet Delegation, circulated to the Deputies as document CFM (D) (L) (47) (G) 74, not printed, listed the following items:

- 1) Procedure for the preparation of a German peace treaty.
- 2) Form and scope of a provisional German political organization.
- 3) Report by the Allied Control Council on the implementation of the decisions of the Moscow session of the Council of Foreign Ministers with regard to demilitarization.
- 4) Economic principles, level of German industry, reparations.
- 5) Report of the Austrian Treaty Commission.

In opening the discussion in paragraph 3 the chairman stated that according to the minutes of the 28th meeting of the CFM,⁵² the Soviet delegation had withdrawn its original proposal and had agreed to support the French draft of this paragraph subject to minor changes in wording. There was a lengthy pause while the Soviet delegate studied the minutes of the meeting in question. He agreed that the minutes read as the chair had indicated but insisted that the Soviets still held to the position that the main committee should be limited to the Big Four.

The US delegate repeated his earlier request that participation in the work of the committees be as broad as possible. The French offered several suggested changes in the wording but no agreement was reached.

Meeting adjourned at 6:30 p.m.

November 11, 1947

The fourth meeting opened at 10:05 a.m. Upon inquiry by the chair it was decided that the CFM agenda would be discussed after the Deputies had finished consideration of CFM document 125.

UK chairman opened discussion on paragraph 3, the composition of the permanent committee, by suggesting that such committees be made up of representatives of the Big Four plus representatives of not more than ten other countries to be chosen from the list of priority nations at a meeting of the Big Four and all priority nations. Soviet delegate objected to the inclusion of representatives of other nations as members, insisting again that US, UK, France and USSR write the treaty and that other interested nations could be called in to present their views but would not have full rights of membership. The other delegates agreed to study the British proposal.

Re paragraph 4, the US proposal stated that the report of the permanent committees to the CFM would include the proposals presented by the Allied states who participated in the discussions. Soviet delegate objected to this saying that such states could present their views to the Information and Consultative Conference but that they had no place in the permanent committees. The US suggested rewording so as to avoid any inferred commitment that there would be other participating states but the Soviet delegate refused to concede. The latter cited Potsdam paragraph 4(a)⁵³ which said that the peace treaty was to be written by the Big Four. The US delegate cited Potsdam

⁵² The reference here is to the Record of Decisions of the 28th Meeting of the Council of Foreign Ministers at Moscow, April 14, 1947 which is quoted in footnote 9 to CFM (47) (M) 125, April 12, p. 452.

⁵³ The reference here should be to the Report on the Tripartite Conference of Berlin, August 2, 1945, Part II, paragraph (3) (1), *Foreign Relations*, The Conference of Berlin (The Potsdam Conference) 1945, vol. II, p. 1500.

paragraph 4(b)⁵⁴ which gave the CFM freedom of action in adapting their work to the particular problems involved.

Soviet delegate stated categorically that he could not agree with giving other Allied states full right of participation in the work of the committee so the issue was dropped.

No agreement could be reached on paragraph 6 dealing with the composition of the sub-committees, Soviet delegate insisting that these sub-committees should have the same composition as the permanent committees. The UK suggested a rewording of their original proposal on this which was accepted by the French and US.

On paragraph 7 concerning the establishment of the Information and Consultative Conference, Soviet delegation stood by the position expressed at Moscow. The UK delegation withdrew its note on this subject submitted at the closing out of the Moscow Conference and expressed its support of the French statement. There was no further discussion and the meeting adjourned at 12:00 noon.

November 12, 1947

Fifth meeting opened at 10:00 a.m. under Soviet chairmanship. Both UK and France submitted proposed agendas⁵⁵ for the CFM. France made it obvious that she wanted discussion of the Saar problem. Both of them asked that the Austrian question be placed no. 1 on the agenda. There was considerable discussion on just what items should be included and their order. The U.S. Delegate hoped to submit a formal suggestion at the next meeting. It was clear that the Soviet member did not want any discussion of the Saar nor the U.S. draft treaty on demilitarization and could see no reason why the German Deputies should be particularly worked up about the urgency of the Austrian treaty. Further discussion was postponed.

⁵⁴ Paragraph (4) (ii) of reference cited in footnote 53, p. 707.

⁵⁵ The agenda proposed by the United Kingdom Delegation listed the following items:

- 1) Report of the Austrian Treaty Commission.
- 2) Economic principles, level of German industry, reparations, and the integration of the Saar into the French economy.
- 3) Form and scope of the provisional political organization of Germany.
- 4) Draft disarmament and demilitarization treaty.
- 5) Report of the Deputies on the procedure for the preparation of the German peace treaty.

The agenda proposed by the French Delegation listed the following items:

- 1) Report of the Austrian Treaty Commission.
- 2) Economic principles.
- 3) Frontiers of Germany.
- 4) Provisional political organization of Germany.
- 5) Questions relating to security; draft treaty relating to disarmament and demilitarization and special regimes applicable to certain parts of Germany (Ruhr and Rhineland).
- 6) Report of the Allied Control Council on questions on which they have been instructed by the Moscow session of the Council of Foreign Ministers.

Sections A and B of CFM 121⁵⁶ on the form and scope of provisional political organization in Germany were discussed and there were no changes in the positions of the various delegations from those expressed in Moscow. The meeting adjourned at 12:15.

November 13, 1947

Sixth meeting of the Deputies, under Soviet chairmanship, opened at 10:00 a.m. The records of decisions of the 49th, 50th, 51st and 52nd meetings of the Deputies were agreed.

Discussed Sections C, D and E of CFM 121. There were virtually no changes in the position of the several delegations from what they had been at Moscow. Sovdel insisted on election of provisional government, whereas the US position was that such government should reflect the political complexion of the *Land* Diets, have power to effect legislative and executive acts over all of Germany, but that popular election was not necessary.

The US, UK and French all agreed that any central government of Germany should have only those powers specifically given it by the Constitution and should not have powers in the realm of education, religion, cultural affairs, security—whereas the Sovdel wanted the central government to have substantial powers including certain police powers.

There was a lengthy exchange between the US and Soviet delegates on the US reservation in Paragraph 2 F of Section E of CFM 121, which stated that any provisional constitution must be approved by ACA and contain certain Potsdam provisions regarding decentralization of government and the development of local responsibility. The Sovdel, after repeated evasive replies and arguments that were extraneous to the matter at hand, finally admitted that they had no objections to submitting a provisional constitution to the ACA but that they could not support the US reference reservation.

The meeting adjourned at 12:15.

November 14, 1947

The 7th meeting of this session of the Deputies opened at 10 a.m. under the chairmanship of Smirnov. There was a lengthy discussion as to procedure to be followed by the CFM on agenda matters. The US, UK and French delegates all felt that regardless of what agenda was developed, there should be an understanding beforehand that the Foreign Ministers could consider the broad problems of Germany and Austria and skip from one item to another of the agenda as they saw fit. The Soviet member refused to go along with this understanding

⁵⁶ *Ante*, p. 436.

but did indicate that he would attempt to get further instructions from his government.

There was no agreement reached as to what items should be placed on the agenda, but there was a general agreement on the wording of two questions, should they later be chosen for inclusion on the agenda. These were (1) form and scope of the provisional political organization of Germany, (2) report of the Commission on the Treaty for Austria.⁵⁷

The US delegate emphasized that the understanding with respect to flexibility in the discussion of the agenda items was a condition to his acceptance of any agenda.

Monday, November 17

The 8th meeting of this session of the Deputies opened at 10:00 under chairmanship of Smirnov. Virtually no progress made in four hours of tiresome debate. The Soviet Delegate was reluctant to put the US draft treaty⁵⁸ on the CFM agenda. First he stated this matter had been discussed at Moscow and the views of the other Delegations were known, hence there was no point in discussing the matter further. Then he attempted to find out from the US delegation what disposition had been made of the numerous suggested changes in this draft treaty which the Soviets had made at Moscow. Finally, when he discovered that the US proposed to submit a revised draft, he felt that agreeing to place the item on the agenda was like buying a cat in the bag and insisted that the question of including this item on the agenda should be left for the Ministers themselves.

Another lengthy discussion followed on whether or not the item "Other Business" should be placed on the agenda. The US, UK and French Delegates approved this item, but again the Soviet Delegate would not agree. He seemed to fear that in this item the other Delegates were trying to slip something over on him. With the understanding that the records would show that any Minister had the privilege of submitting any relevant item for discussion, it was agreed that the agenda would contain no item of "other business".

The US Delegation withdrew its reservation on the two items previously agreed by the three other Delegates, i.e., economic principles and procedure for German Peace Treaty.

The Russians placed a general reservation on the acceptance of individual items subject to the adoption of a satisfactory over-all agenda. This reservation has now been stated by all four Delegates.

⁵⁷ Document CFM/ATC (47) 77, October 11, 1947, p. 631.

⁵⁸ Reference to the draft treaty on the disarmament and demilitarization of Germany, submitted by Secretary of State Byrnes to the Council of Foreign Ministers in Paris on April 30, 1946; for the text, see *Foreign Relations, 1946*, vol. II, p. 190.

The French Delegate wanted "frontiers" to be a separate item on the agenda. The French and Soviet Delegates wanted a report from the ACA to be a separate item on the agenda.

The meeting adjourned at 2:00 p.m.

November 18, 1947

Ambassador Murphy chaired 9th meeting this session of Deputies. After numerous and lengthy arguments by the Soviet Delegation [*Delegate*], it was obvious that he was not prepared to concede an inch in meeting the wishes of the other Delegates in the adoption of a CFM agenda. The U. S. Delegation proposed submission of two draft agendas to the CFM—one agreed by the U. S., U. K. and France the other proposed by the Soviet Delegation. With the understanding that the Ministers had the right to bring up any additional subject not on the agenda as prepared by the Deputies, the French agreed to the deletion of the item calling for discussion on a report from the ACA. This meant that complete agreement could be reached by U. S., U. K., French, on the items and their sequence.⁵⁹

The Soviet Delegate was noticeably perturbed when he discovered that the other Delegates were really serious in presenting their own version of an agenda, and made several attempts to get the other delegates to agree on the presentation to the CFM of the four agreed items with no reference to the order in which they should be discussed. The meeting adjourned at 1:30 after approving revised version of paper on procedures for the Peace Treaty⁶⁰ and after a very brief discussion of the type of report to be made by the Deputies to the CFM.

November 19, 1947

Ambassador Murphy chaired the tenth and eleventh meetings, running from 10:00 to 1:30 and from 4:00 to 7:30. Having reached complete disagreement on the agenda, the problem under discussion in these two meetings was to agree on a report to the Ministers informing them of the Deputies' disagreement. The seven hours of the two sessions consisted of nothing more than wearisome irrelevant arguments on the part of Smirnov. Repeated attempts on the part of the other delegates to arrive at an acceptable report proved useless. It was suggested that the chairman report verbally to the Ministers, but this suggestion was not acceptable to the Soviet Delegation unless they could see and approve beforehand the exact wording of the report.

⁵⁹ The items listed in the virtually identical American, British, and French agenda proposals are set forth in footnote 78, telegram 6191, Delsec 1501, November 25, from London, p. 731. The items in the Soviet agenda proposal are listed in the same footnote.

⁶⁰ Under reference here is document CFM (D) (L) (47) (G) 78 Revised, not printed, which incorporated the amendments agreed upon by the Deputies to document CFM (47) (M) 125, April 12, 1947, p. 452.

Since the four delegates could not arrive at any unanimous written report, it was obvious the Chairman could not produce an acceptable verbal report without conceding completely to the Soviet Delegation.

It was obvious that the Soviet Delegation did not want any report to go to the Foreign Ministers which would show them in the minority opposed to an agreed decision of the 3 Delegations.

November 21, 1947

Ambassador Murphy chaired a fruitless 12th meeting of the Deputies this session beginning at 10:00. In trying to reach an agreed report for the Deputies, the Soviet Delegation went over the same worn ground, which showed conclusively that he would not agree to any report which presented the Soviets as standing alone in face of agreement by the other three delegates. The French Delegate proposed that the two agendas be incorporated into one document and submitted to the CFM. He had proposed this several days earlier and it had been unacceptable to the Soviet Delegation [*Delegate*] but now, in order to prolong the discussion further, he saw great merit in the French proposal and wanted to study the matter, promising to present his views at the next meeting. Other delegates wanted to meet in the afternoon or on Monday; the Soviet Delegate insisted on meeting Saturday p.m.

November 22, 1947

Thirteenth and final meeting of the Deputies at 3 p.m. The Soviet Delegate presented an amended version of the proposal the Soviet Delegate made the day before, which proved utterly unacceptable to the other delegates. Again an attempt was made to have the chairman, this time St. Hardouin, to report to the Ministers, but the Soviet Delegate insisted that the oral report first be written and approved by all delegates.

Unable to reach any agreement, it was finally decided to have each Deputy report separately and individually to his Minister.

Adjourned subject to further meeting, should the chairman feel any necessary.

740.00119 Control (Germany)/11-1047: Telegram

The Ambassador in the Soviet Union (Smith) to the Director of the Office of European Affairs (Hickerson)

SECRET

Moscow, November 10, 1947—5 p.m.

3189. Personal for Hickerson. Catroux informed me this morning that in response to direct question by him in a recent conversation Molotov stated Soviet Government had no intention of proposing

withdrawal of troops from Germany.⁶¹ At same time Molotov said Soviet Government had not changed its position in any way since Moscow Conference Foreign Ministers. He remarked that Molotov spoke with extreme bitterness about economic fusion Britain and American Zones, which he again characterized as violation of Potsdam, et cetera. I do not accept this statement by Molotov as final, therefore see Ourtel 3177 to Department November 6.

Catroux believes that following fruitless conference London it will be necessary that French Zone of occupation be joined economically with British and American but emphasized importance of how this handled in order avoid giving ammunition to French Communists. He believes this move will be accepted by French people if it is made clear that it is in economic interests of themselves and their western allies and not primarily in interests of German economy.

Dept pass London 340, Paris 366.

SMITH

CFM Files : Lot M-88 : Box 93 : File—Germany Reparations II

*The Special Adviser to the Secretary of State on Reparations (Pauley) to the Secretary of State*⁶²

SECRET

WASHINGTON, November 13, 1947.

MY DEAR MR. SECRETARY: On April 30, 1947, you asked me as Special Advisor on Reparations, to submit to you a proposed German reparations plan in anticipation of the Council of Foreign Ministers meeting in London.

The objective of such a plan would be to facilitate a general settlement of Central European problems, contemplating, among other

⁶¹ Regarding the alleged intention of the Soviet Government to propose the withdrawal of occupation troops from Germany, see telegram 3177, November 6, from Moscow, p. 896.

⁶² This communication was forwarded to the Secretary of State under cover of a memorandum, dated November 13, 1947, which read as follows:

"In accordance with the Secretary's instructions, I have considered my work on reparations an integral part of the functions of the State Department and have worked and consulted closely with those in the Department responsible for policy on the political and economic affairs of Europe. In this, as in other reparations matters, I worked, through my staff, in close association with the Assistant Secretary for Occupied Areas. On the suggestion of Assistant Secretary Hilldring, and with the agreement of his successor, Secretary Saltzman, my deputy, Commander Julius C. Edelstein, has served simultaneously as a member of the staff of the Assistant Secretary. The reparations study being submitted has been worked out following such consultations.

"It was expected at first that it would be unnecessary to submit a separate report, but it was finally decided that in view of the Secretary's instructions, I was obliged to submit a report in a broader framework, in greater detail and with a somewhat different emphasis than the reparations references included in the Departmental CFM paper on German economic problems. There is no inconsistency, however, between Departmental CFM references and the attached reparations proposals."

things, unification of Germany. I have worked, through my staff, in close association with the regular divisions of the Department which have been considering these problems. The consensus in the Department has been that bare economic unification would be a delusion unless coupled with a great many other considerations. I share that view.

I have explored the reparations question in all its aspects. I am submitting a paper comprising a detailed discussion of the reparations problem, and its economic and political implications. There is included as an appendix a summary of pertinent statistical and economic data.

I am now convinced that a practical reparations offer alone could not constitute a sufficient inducement to Soviet Russia to obtain agreement to all the political and economic conditions which we believe necessary for a European settlement. Nevertheless, I believe a definitive reparations offer should be made at London, in association with other inducements, to indicate our desire to abide by our past commitments and to require the German economy to assist, to its practical maximum, in the recovery of Europe including the recovery of Russia. I believe such an offer is strategically essential to counter Russia's current offensive which is designed, I believe, to indicate to the world that the United States is seeking selfish ends, even at the cost of war. I have included in the attached documents a political discussion developing this viewpoint and its implications.

After detailed consideration of many alternative reparations formulas, I have returned to the proposal you made at Moscow in March, 1947.⁶³ Bearing in mind the conditions you attached to that proposal, I have suggested a means of meeting those conditions.

In brief, my proposal, which is expanded at length in the attached Paper, provides for the grant to all reparations claimants of a reparations credit, redeemable in finished and processed goods, equivalent to the value of the capital installations the claimants would have received from the Western Zones under the 1946 level of industry, but retained in Germany under a new level of industry to be finally decided upon at London. This level, I assume, is to be roughly equivalent to the 1947 bizonal level. The reparations credit is to be available only upon the condition that reparations claimants furnish for the German economy food, fuel, raw materials or acceptable equivalents required to enable the German economy to produce the finished goods in question. If necessary, the 15 per cent of Western Zone capital removals provided under the terms of the Potsdam Agreement for the USSR and Poland in exchange for reciprocal deliveries of specified commodities could be

⁶³ The reference here is presumably to Secretary Marshall's proposal regarding the level of German industry and reparations from current production, circulated to the Council of Foreign Ministers on April 3, 1947; for the full text, see *Germany 1947-1949*, p. 410 or Department of State *Bulletin*, April 13, 1947, pp. 652-653. Regarding this proposal, see also telegram 1167, Delsec 1385, April 2, from Moscow, p. 306.

equated to a separate reparations credit to be divided between the IARA countries and the USSR-Poland. It is suggested that the reparations credit could be based upon the in-place value of the capital equipment previously scheduled for removal but now to be retained in Germany. I believe that a level of industry roughly equivalent to the 1947 bizonal level could easily support such a program. This reparations program, itself, would assist in activating idle German capacity that would not otherwise be utilized. It would not involve, of itself, expenditures by the United States. It is, therefore, consistent with our major objectives.

It is recommended that despite interdepartmental commitments, there be a new level of industry determination based upon whatever agreements are made, whether among all four occupying powers, or only with Britain and France.

Inasmuch as Soviet spokesmen have repeatedly gone on record as demanding \$10 billion in reparations, you might consider it desirable to accept a formula by which past Soviet-Polish removals from Germany plus reparations collectible in the future could be computed for the record, at \$10 billion. This, of course, would be predicated upon prior agreement on the actual amount of future reparations for Russia and Poland.

It is recommended that removals as reparations of all capital equipment in excess of the new level of industry be promptly resumed and completed.

It is implicit that the above plan and the negotiating variants suggested in the attached paper are based upon the satisfaction of the politico-economic conditions to be proposed as terms of a general European settlement.

In my judgment, the forthcoming CFM meeting will be one of transcendental significance. It will constitute one of the Great Divides of American policy in this era. I am grateful for the opportunity given me to advise you in this situation.

Respectfully,

EDWIN W. PAULEY

[Annex]

Paper on German Reparations, Prepared by the Special Adviser to the Secretary of State on Reparations (Pauley)

SECRET

[WASHINGTON, November 17, 1947.]

I—SUMMARY OF REPARATIONS PAPER

Situation

At Moscow Secretary Marshall agreed to consider equating once-for-all removals due each recipient nation under the 1946 level of industry to current production, with the reservation that any such

plan must not increase the financial burden on the American Government and should not interfere with the prospects of Germany's attaining an economic balance.

In the summer of 1946, at Paris, Russia made a demand for \$10 billion in reparations, mostly out of current production, a demand which she had not voiced since Potsdam; the USSR indicated a desire to raise the level of industry to make possible reparations out of current production. The USSR is believed to have taken this position because of disappointment with the economic benefits, to her, of capital removals. Russia vigorously restated this position at Moscow in March, 1947, and rejected the American argument that the Potsdam Reparations formula had extinguished all previous Russian reparations demands.

It can be assumed, for the sake of negotiations, that Russia's intransigent position on unification and reparations is due to a desire to obtain the maximum amount of industrial and consumer goods from Germany, to meet internal political prestige needs and to help rebuild the Soviet industrial machine. The United States, therefore, might advantageously propose a settlement which might make available to the USSR the maximum amount of goods from Germany consistent with the other imperatives of American policy, namely, economic self-sufficiency for Germany at the earliest possible date, and the economic recovery and political stability of Europe, especially of Western Europe.

It is believed that no feasible reparations offer can be devised of sufficient scope to induce Russia to agree to both the economic and political conditions required by the United States for a general settlement of Central European problems. Nevertheless, it is manifest that we should attempt to gain acceptance of a reparations settlement which will, as nearly as possible, accomplish our goals of European recovery and the industrial disarmament of Germany. It is psychologically important that the United States emphasize its desire to require Germany to contribute, through reparations, to the recovery of Europe, while also pointing out that the recovery of Germany would be in itself a contribution to European recovery.

Capacity of Germany to Provide Reparations

The German economic situation is such as to preclude any program of "pure" reparations out of current production regardless of any further increases in the level of industry. Actual production is restricted by shortages of (a) coal, (b) food, (c) transport, (d) raw materials, (e) housing, and by dislocations in manpower and management. Most of the shortages are in categories of which there are world shortages. Almost all import requirements of the German economy require dollars; German production cannot increase to major

proportions without such imports because of the lack of indigenous resources. Economic unification of Germany would only reduce to an unestablished extent, but would not eliminate, the deficit in the German economy under present circumstances. Any program of "pure" reparations out of current production would thus be at the expense of the nation or nations supporting the German deficit. Germany's import requirements, which will increase in proportion to increased industrial production, include: food, petroleum products, rubber, iron ore, copper, almost all other non-ferrous metals, cotton, wool, hides, fertilizer, and basic chemicals.

There is no foreseeable possibility of a full restoration of Germany's prewar export markets, because of (a) increased indigenous production in former market countries, (b) political antipathies and fears resulting from war, (c) increased nationalism throughout Europe, (d) shortage of dollars in Germany's former markets, (e) inability of former market countries to supply Germany with Germany's import needs such as food and raw materials, (f) current political and economic orientation of Balkan and Eastern European nations to the USSR; these countries were formerly dependent to a major extent on Germany for their external trade.

At the same time it must be a major objective to give certainty to the German economy so that, at the earliest possible date, the German people, having made their contribution to the recovery of the victim nations, can aim at the goal of national improvement in the standard of living, and cooperation with other European nations in the solution of continental economic problems.

Nature of Reparations Program

The United States is committed to the principles of Potsdam including a reparations program. The United States has been one of the chief protagonists of once-for-all removals both to reduce the German war potential and to help raise the standard of living of the nations against whom Germany waged war and occupied. It is to America's interest to support a reparations program, including a continuation of capital removals, both to give support to democratic forces in Western Europe and to discharge implied commitments to potential reparations recipients for whom the United States was, by implication, the spokesman and agent at Potsdam.

There is no economic prospect for the utilization of all standing plant capacity now in Germany in the foreseeable future. Even without the existing bottlenecks to increased production, much of the standing equipment is autarchic, uneconomic in present relation to transport and sources of raw materials, and geared to a wartime instead of a peacetime economy. Most of this excess capacity was built up during the period of preparation for aggression. Its removal would

not interfere with Germany's economic recovery, while its transfer to other countries would aid in their rehabilitation and the establishment of a more balanced economy in Europe. In the long run, these removals would be a boon to German economic regrowth on a sound and integrated basis.

A limited program of reparations out of current production, along the lines of Secretary Marshall's Moscow proposal, could be so arranged as to be economically feasible and consistent with German economic recovery. The reparations plan proposed below would require claimant nations to provide food, fuel or raw materials to the German economy as part payment for manufactured goods to be received as reparations. Although most of the raw material and fuel resources of Western Europe have already been committed under the terms of the European Recovery Program, some of these nations have food surpluses of a certain category (such as eggs, vegetables, and fats) and others might be able to obtain raw material or other commodities required by the German economy which the countries in question would be willing to supply to Germany in return for a greater quantity of manufactured goods than they would otherwise be able to obtain by outright purchases from Germany or imports from other areas.

Reparations Negotiations and Plan

It is recommended that the United States propose the following plans and seek agreement or agree to the following conditions:

A. A program of limited reparations out of current production, the total amount of which is to be equated to the removal value of capital equipment scheduled to be awarded as reparations under the 1946 Level of Industry Plan, but to be retained in Germany under the new level: Provided that each claimant country agrees to supply in acceptable commodities (food, fuel, or raw materials) a portion of the value of finished goods delivered, the remainder of the value of which is to be considered the reparations payment.

As a variant to this proposal, the Secretary might agree to equate the value of current reparations credit to the in-place value of the capital equipment in question. This would increase the value by approximately 70 per cent.

This program would be projected over a five-year period; all "payments" of commodities would be delivered within that period; the reparations deliveries would be consummated within the shortest possible time, but not necessarily within the five-year period.

B. The percentage of the total "reparations credit" to be allowed USSR-Poland would be as in the Potsdam Agreement. If it is desired to make an additional concession on this proposal, it is suggested that the 15 per cent of capital removals provided in exchange for commodity deliveries be divided equally between USSR-Poland and the IARA nations. Percentages for the IARA nations would be as in the Paris Agreement. The Potsdam provision for "reciprocal deliveries" would be eliminated. The assent of the IARA nations would be required to make this arrangement.

C. As an alternative, it might be proposed that there be a resumption of the capital removals program on the above percentage basis, without current reparations.

D. Capital removals above the 1947 level of industry (or the level suggested in "E" below) would be resumed to all claimants.

E. The level of industry would be reviewed, at a technical level, in the light of economic unification, the type of reparations program adopted and other current factors, by representatives of the appropriate occupying powers.

F. Inasmuch as Soviet spokesmen have repeatedly gone on record as demanding \$10 billion in reparations from Germany, the internal political needs of the government of Soviet Russia might be satisfied by a formula under which past Soviet-Polish removals from Germany, as reparations collectible in the future, could be computed, for the record, at \$10 billion, provided that agreement were first reached as to the actual amount of future reparations.

G. Whatever reparations plan is agreed upon should constitute a final settlement of all reparations claims by all nations.

H. The administration of Plan A would be left to the Allied Control Council and its economic agencies, including the determination of plants to be utilized for reparations work, the types of finished goods to be available for reparations, and the commodities to be considered acceptable in return for finished goods.

I. It is implicit that all of the above offers by the United States would be contingent upon Soviet agreement to the politico-economic conditions deemed essential for a German settlement including political and economic unification.

J. If the USSR declines to accept any of our reparations proposals and refuses a major settlement of German problems, it is recommended that the United States resume immediate capital reparations deliveries to the IARA nations but continue indefinitely the suspension of deliveries to the USSR and Poland.

[The remainder of this paper, covering fifty-five pages in the type-written source text, is not printed. It was arranged under the following sub-headings: Political Observations, Level of Industry and Economic Unification, Reparations Plan and Negotiations, Negotiations with the USSR, First Charge Principle, Reparations Background, Present Status of the Reparations Program, Capital Removals vs Current Production, Analysis of European Economic Problems, Role of Coal, and Statistical Appendix.]

740.00119 Control (Germany)/10-3147: Telegram

The Secretary of State to the Embassy in Belgium

SECRET

WASHINGTON, November 14, 1947—4 p.m.

1642. ReEmbtel 1700 Oct 31.⁶⁴ Dept sympathetic in principle allowing Benelux present their views CFM London meeting and

⁶⁴ *Ante*, p. 696.

recognizes vital interest Benelux in matters affecting Germany. Dept has suggested to Hirschfeld, Netherlands Foreign Office Economic Adviser now this country, that most practicable method handling problem would be present matter to CFM secretariat London prior meeting. Dept also stated US representatives to CFM would be glad engage informal discussions this problem with Benelux.

Concerning Benelux representation on Control Commissions, although matter under consideration no action possible by Dept at present pending outcome CFM meeting.

MARSHALL

740.0011 EW (Peace)/11-1547: Telegram

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

SECRET

WASHINGTON, November 15, 1947—1 p.m.

4858. Deptel 4452 Oct 15.⁶⁵ US group departed *Queen Mary* Nov 12 for London to consider with UK and French representatives content of concrete offer to Soviets on German assets in connection with Austrian treaty. Group consists of David Ginsburg, deputy to US representative on Austrian Treaty Commission; Francis T. Williamson, Asst Chief, Central European Division, State; Covey Oliver, Associate Chief, Division Occupied Areas Economic Affairs, State; and Raymond Goldsmith. Last three were members USDel, ATC.

Discussions on compromise offer are considered of preliminary character only. No commitments will therefore be made during this exploratory work and prior to submission entire results to Secretary after his arrival London. If the three Foreign Ministers agree on substance of offer and it is acceptable to Austrian Govt, it will be presented to Soviets at London as basis of discussions in place of present general definition for Art 35.

Please bring this to Ambassador Murphy's attention and transmit copy to group on arrival.

MARSHALL

740.00119 Control (Germany)/11-1847

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

[WASHINGTON,] November 18, 1947.

Participants: The Secretary
 M. Bonnet, French Ambassador
 Mr. Reber (Eur)

M. Bonnet called this morning to explain he had been instructed by M. Bidault to ascertain further the views of the U.S. Government

⁶⁵ *Ante*, p. 685.

concerning the French proposal for the internationalization of the Ruhr, which Bidault had discussed with the Secretary in New York. The Secretary replied by reading the paragraphs relating to Germany from the speech he is to deliver in Chicago this evening.⁶⁶

M. Bonnet then said that the French proposals went a good deal further in their conception of international supervision. France felt that it was particularly important that the control of the basic Ruhr industries should be through international management rather than indirectly by supervision of allocation. This in their opinion provided the only guarantee that Ruhr industry would never be developed as a menace.

M. Bonnet went on to say that during the interim period before the peace treaty entered into effect it was most important that the same form of international control be exercised. France had been disturbed by the recent decision of the British and American control authorities to place the Allied-owned mines under German management between the Allied owners and the control group. The Secretary replied that the question of a further international voice in the Ruhr coal management during this period would, of course, have to be discussed in connection with the negotiations for trizonal fusion.

He then inquired as to French thinking with regard to the position of the Soviets in any international control of the Ruhr. M. Bonnet replied that this matter had not been recently discussed with the Soviets who had however indicated that they linked the question of the Saar with Four-power control of the Ruhr implying that their consent to the integration of the Saar in French economy was dependent upon French agreement to their plan for the Ruhr. It had not been possible for France to continue any conversations with the Soviets as the Soviet position for a strong centralized German Government was always the obstacle to any exchange of views. Molotov had recently told Catroux in Moscow that France as well as the other powers was aware of Soviet views on Germany, and that these remained the same although the USSR would naturally take into account the evolution of the situation. Bonnet added that neither he nor his Government knew what the latter reference meant nor had Catroux been able to ascertain.

The Secretary asked whether the French Government had any definite views as to the possibilities which had been so widely discussed recently of proceeding to a three-power peace treaty with Germany if no agreement with the Soviets in London were possible. M. Bonnet replied that he had no information of his Government's thinking on

⁶⁶ For the text of the address by the Secretary of State on the problems of European revival and German and Austrian peace settlements, delivered before a meeting sponsored jointly by the Chicago Council on Foreign Relations and the Chicago Chamber of Commerce on November 18, 1947, see Department of State *Bulletin*, November 30, 1947, p. 1024.

this subject but felt that they, like ourselves, were awaiting the results of London before taking any definite position. As to our views the Secretary went on to say that he did not wish, of course, to take a final position until we saw what happened in London, but he felt that it would be difficult to conclude a definitive peace without the Soviets. It was however impossible to leave Germany in its present condition. He looked therefore to an interim solution—probably the establishment of some form of German authority which could take over some of the functions of administering Germany and make possible a greater revival of German industry with its consequent benefits to European recovery.

The Secretary then said, speaking personally, that he was somewhat concerned by the possibility that a strong stand against centralized government in Germany had little real substance since it was obvious that certain things would have to be common to the whole of Germany, such as communications and currency. These, he felt, would only be the beginning and, given the mentality of the Germans, would inevitably lead to an increasingly greater and greater degree of centralization. He wondered therefore whether strong opposition to centralization had any great reality and whether the real difficulty lay in this phase of the German problem. Germany he considered could not, particularly if it were a weak state, remain in the middle; that it might very well turn either to the East or to the West. This in his opinion was more important than the kind of government Germany would eventually have and that more attention should be paid to the danger that it might turn the wrong way. M. Bonnet replied that the French Government was fully aware of the dangers of which the Secretary had just spoken. But his Government felt that this same problem would be presented in a more acute form by a strong centralized German Government than by a loose federation of German states. In his opinion the real way to avoid such a danger would be international control of Ruhr industry. If this strong weapon were truly in international hands the risk inherent in a strong revived German power could be minimized and contained under effective guarantees.

S[AMUEL] R[EBER]

740.00119 Council/11-1947: Telegram

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

SECRET

WASHINGTON, November 19, 1947—7 p.m.

URGENT NIACT

4908. Personal for Murphy from Reber. Delsec 1493, Nov 19.⁶⁷ Hickerson and greater part Delegation sailed from New York Monday. Prior to their departure decision taken by Secretary that no discussion re action by three western occupation powers in event CFM fail reach agreement will be undertaken until sometime after CFM meeting terminates. Secretary felt discussion this subject prior to CFM meeting might provide Soviets propaganda theme that western powers not prepared to work for quadripartite agreement and because of psychological effects such thinking might have on USDel. Secretary had in mind more formal discussions with Brit and French might be undertaken after Christmas holidays in event no CFM agreement reached.

Foregoing position was conveyed to Sir William Strang, Gen Brownjohn and Mr. Allen by Hickerson on Nov 4⁶⁸ when question CFM agenda was discussed. At that time he also expressed hope that there nevertheless would be effective liaison between the three delegations during the conference. On Nov 7 same view was given to Counselor French Emb, who expressed agreement. Secretary likewise implied the same to French Ambassador on Nov 18.⁶⁹

In view of foregoing we feel tri-partite conversations at this time premature since owing to complexity of subject no real progress can be made in one or even two meetings and a series thereof would undoubtedly become known. In these circumstances we believe it would be preferable for you not to attend. Please make it plain to your French and Brit colleagues however the reasons why we think it premature to have this exchange of views now. We will of course be interested in any info you receive re conversations between Brit and French.

LOVETT

⁶⁷ In telegram 6108, Delsec 1493, November 19, from London, not printed, Murphy reported that British and French officials had been holding conversations in London on the proposed agenda for the Council of Foreign Ministers session and on the future merger of the American-British-French zones of occupation of Germany and had invited him to attend a meeting on November 20 (740.00119 Council/11-1947).

⁶⁸ See memorandum of conversation by Beam, November 4, p. 697.

⁶⁹ See memorandum of conversation, *supra*.

868.014/11-1947 : Telegram

The Acting Secretary of State to the Embassy in Greece

CONFIDENTIAL

WASHINGTON, November 19, 1947—7 p.m.

1857. While in US, Tsaldaris requested Dept publicly indicate approval of Greek ratification Italian peace treaty and our willingness to support Greek desire to present claim re Northern Epirus before CFM at some appropriate time. Such declaration, Tsaldaris states, would obviate necessity for Greece to raise this claim in UN debates on revision of Italian peace treaty. Dept believes Greek action in UN on this matter highly undesirable as would lend substance to Soviet charges that Greece has aggressive intentions in Balkans and is cause of unrest in area. Dept does not support Greek claim to Northern Epirus but support for Greek presentation of claim before CFM at appropriate time indicated by Secy Byrnes to Tsaldaris in Paris Sept 1946 and promised by Dept in letters to Congressmen in Jan 1947.

In view of above Dept has decided to issue following statement and will notify you of release date:

“US Govt has been pleased to learn Govt Greece completed ratification of treaty of peace with Italy on October 28. We consider this action as further evidence desire Greek Govt on its part to achieve peaceful relations with its neighbors. It is to be hoped that ratification Italian peace treaty will usher in new era cooperation among countries Eastern Mediterranean and provide basis for lasting peace and security this critical area.

The Italian peace treaty settles the problems which arose between Greece and Italy as a result of the war. Greece, which was the object of unprovoked aggression launched from neighboring countries, has made clear on a number of occasions that it has certain claims which could not be considered in connection with the Italian Treaty since they do not involve Italy. It is gratifying that the Government of Greece, instead of attempting to settle these claims by unilateral measures, is willing to leave them for consideration at some future time by the appropriate international organ.

The procedure followed by the Greek Government with respect to the Italian peace treaty demonstrates once again willingness Greece to cooperate in carrying out decisions reached by international agreement and intention Greece to seek attainment of its aims only through established and appropriate channels.”

Pls inform Gk Govt that US does not consider present as “appropriate time” mentioned in statement and would be unable to agree to consideration any Gk claims at forthcoming CFM meeting.

Sent Athens 1857; rpt Rome 2408.

LOVETT

740.00119 Council/11-2047 : Telegram

*The Political Adviser for Germany (Murphy) to the Deputy Director
of the Office of European Affairs (Reber)*

SECRET
URGENT

LONDON, November 20, 1947—10 a.m.

6126. Delsec 1496. Personal for Reber from Murphy. Your 4908, November 19.⁷⁰

I shall, of course, be guided by your advice but I would like you to know that in our humble opinion looked at from here the view expressed, which I doubt that you yourself share, seems lacking in realism.

Over a period of months the USSR, using all the radio and press facilities they could lay their hands on, have exhausted their litany of propaganda accusations on the subject of our "imperialistic exploitation of western Germany". I believe most intelligent Europeans would take it for granted that we had made our plans and arrangements in view of lack of Four-Power unity and Soviet unilateral action. I believe their regard for us would be diminished if they felt that we had not made preparation. In any event, I am certain that few Germans would believe that this is not the case. We have sat through eleven meetings of the deputies and Soviet attitude has been marked by an evident fear that the world should know that three delegations are united on a given line of conduct and they are isolated. That is why I believe that the Soviet propaganda possibility regarding this item is insignificant.

[MURPHY]

USPolAd Files : 863.6 Coal : Telegram ⁷¹

*The Under Secretary of the Army (Draper) to the Military
Governor for Germany (Clay) at Berlin* ⁷²

SECRET

[WASHINGTON, November 22, 1947.]

W-90954. Subj communiqué of Berlin Coal Conference.⁷³ In view successful conclusion substantive issues Berlin Coal Agreement apparently only remaining question is French action on proposed in-

⁷⁰ *Supra.*⁷¹ Frankfurt Consulate File, Lot F-80, Box 69.⁷² The text of this message was transmitted by the Department of State to Berlin in telegram 2359, November 22 and in telegram 4948, Secdel 1504, November 26, to London (862.60/11-2247 and 740.00119 Council/11-2647).⁷³ Regarding the American-British-French conference in Berlin in September 1947 on the allocation of Saar coal to the French economy, see pp. 1089-1098.

formal collateral agreement re withdrawal London reservations level of industry.

French have given State Dept note ⁷⁴ stating willing to sign communiqué and to withdraw reservation to steel figure in new level industry, however unable withdraw reservations dye stuffs, machine tools and petroleum. British Embassy here has informed State Dept Sergent has proposed in Berlin following statement which he hopes to persuade French Government to agree to :

"1. At the moment when we are envisaging the publication of the communiqué relating to our Bipartite conversations in Sept on coke, Saar coal, and the extension of the Moscow sliding scale, I am auth [*authorized*] to inform you that the French Government has no intention to pursue objections publicly by means of press, radio, or otherwise, against the Bizonal Level of Industry Plan.

"2. In particular, the French Govt raises no objection to the level of 10,700,000 tons provided for steel production in the Bizonal Area, it being understood that this level will not be exceeded.

"3. Nevertheless, the French Delegation to the Council of Foreign Ministers must reserve the possibility, if the opportunity should arise, of expressing their point of view on certain provisions of the plan for the level of capacity in the Bizonal Area relating to machine tools, distillation of tar, and chlorine, as well as in respect of the prohibited industries."

British Embassy states understanding OMGUS has gone "some way in expressing concurrence in these terms". British Embassy states UK agreeable in London and Berlin accept communiqué with this statement and urges US acceptance.

Tactically it is important conclude these negotiations and issue communiqué soonest preferably before opening CFM. We do not like reservation but importance of French general support of US position CFM and precarious political situation in France makes announcement of agreement on coal particularly timely. State urges acceptance. Army prepared leave decision to you, although on balance Wilkinson and I are inclined favor acceptance. Also you may be able reach informal understanding with French in London which would minimize likelihood their criticising machine tool and other levels. See great advantage, however, in getting this matter behind us before general problem Germany discussed at CFM. In any case, consider you should point out to French that under terms Bizonal level question of permanent levels, including steel, is matter for Peace Treaty determination.⁷⁵

Please inform Riddleberger.

⁷⁴ The note from the French Embassy, dated November 4, 1947, is not printed (862.6362/11-447).

⁷⁵ Telegram CC-2392, November 24, 1947, from the Deputy Military Governor for Germany, Major General George P. Hays, to Under Secretary of the Army Draper, reported that General Clay and the British had accepted Sergent's pro-

Editorial Note

During September, October and early November 1947, the officers of the Department of State engaged in the preparation of reports on the principal subjects likely to be discussed at the forthcoming session of the Council of Foreign Ministers in London. These numbered reports bore the following titles: CFM No. 1, Germany: Democratization; CFM No. 2, Form and Scope of Provisional Political Organization for Germany; CFM No. 3, An Economic Program for Germany; CFM No. 4, Germany: Disarmament and Demilitarization; CFM No. 5, Territorial Questions; CFM No. 6, Limitation of Occupation Forces in Germany; CFM No. 6a, Possible Soviet Proposal for Total Withdrawal of Occupation Forces from Germany; CFM No. 7, Transfers of Population; CFM No. 8, Procedure for the Preparation of the German Peace Treaty. The reports took the form of (1) a statement of the problem, (2) a discussion, and (3) recommendations of actions to be taken or positions to be adopted by the United States Delegation at the Council session. Appended to the reports were more extensive studies of the issues involved. Officers of the Department of State, the Department of the Army, and Office of Military Government for Germany conferred in Washington during October on the subjects covered in the Department's reports. At the request of the Department of State, OMGUS prepared more than thirty detailed studies which were subsequently included as annexes to the Department's draft reports. The reports, which went through a number of drafts, were never formally approved by the Secretary of State nor can they be said to represent the final views of the Department of State or the United States Government. Sets of the reports and annexes, each of which comprised several thousand pages, accompanied the United States Delegation to the Council session in London. Sets are included in the CFM Files, Lot M-88, Box 86. The views and proposals of General Clay with respect to the guarantees of German

posed statement, but the French Government had not supported Sergent and had proposed the following alternative text:

"At the moment of publication of the communiqué relating to our Tripartite conversations on coke, Saar coal and the extension of the Moscow sliding scale I am authorized to inform you that the French Government raises no objection to the level of 10,700,000 tons for the production of steel in the Bizonal area, it being understood that this level will not be exceeded and takes note of the Tripartite declaration in London 28 Aug 1947. In accordance with the terms of which: "The measures about to be taken should not result in priority being given to the rehabilitation of Germany over that of the democratic countries of Europe."

"The French Government is nevertheless of opinion that certain provisions of the Bizonal Level of Industry Plan relating in particular to machine tools, the distillation of tar and chlorine, as well as in respect of prohibited industries should be the subject of fresh discussions. The French Government has the intention of raising this question at the Conference of Foreign Ministers."

(USPolAd Files, Frankfurt Consulate Files, Lot F-80, Box 69, File-863.6 Coal)

democracy, the establishment of a provisional German government, the establishment of a self-sustaining German economy, permanent German demilitarization, and the settlement of the German boundaries, prepared at the request of the Department of State, were transmitted to Assistant Secretary of State Saltzman under cover of a letter of November 12, 1947, from Major General Noce, none printed (740.00119 Council/11-1247).

B. PROCEEDINGS OF THE COUNCIL SESSION

Editorial Note

PRINCIPAL MEMBERS OF THE DELEGATIONS TO THE FIFTH SESSION OF THE COUNCIL OF FOREIGN MINISTERS, LONDON, NOVEMBER 25-DECEMBER 15, 1947.⁷⁶

UNITED STATES DELEGATION

Member

George C. Marshall, Secretary of State.

Deputy for Germany

Robert D. Murphy, Political Adviser for Germany.

Deputy for Austria

Joseph M. Dodge, Former Representative on the Austrian Treaty Commission.

Special Advisers

Lewis C. Douglas, Ambassador in the United Kingdom.

Walter Bedell Smith, Ambassador in the Soviet Union.

John Foster Dulles.

General Lucius D. Clay, Military Governor for Germany.

Lieutenant General Geoffrey Keyes, High Commissioner for Austria.

Advisers

Jacob D. Beam, Chief, Division of Central European Affairs, Department of State.

Charles E. Bohlen, Counselor, Department of State.

John G. Erhardt, Minister in Austria.

David Ginsburg, Special Consultant, Department of State.

John D. Hickerson, Director, Office of European Affairs, Department of State.

⁷⁶ 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, 1947-June 30, 1948*, Department of State Publication 3443 (Washington, Government Printing Office, 1949), pp. 10-13.

James W. Riddleberger, Counselor, Office of the United States Political Adviser for Germany.

Charles E. Saltzman, Assistant Secretary of State for Occupied Areas.

Francis T. Williamson, Assistant Chief, Division of Central European Affairs, Department of State.

Carlisle H. Humelsine, Director, Executive Secretariat, Department of State.

UNITED KINGDOM DELEGATION

Member

Ernest Bevin, Secretary of State for Foreign Affairs.

Deputy for Germany

Patrick J. Dean, Head of the German Political Department, Foreign Office.

Deputy for Austria

James Alexander Milne Marjoribanks, Assistant Head of the German (and Austrian) Political Department, Foreign Office.

Advisers

Sir Edmund Hall-Patch, Deputy Under Secretary of State for Foreign Affairs.

Roger M. Makins, Assistant Under Secretary of State for Foreign Affairs.

Christopher Paget Mayhew, Parliamentary Under Secretary of State for Foreign Affairs.

Lord Pakenham, Chancellor of the Duchy of Lancaster.

General Sir Brian Robertson, British Military Governor in Germany.

SOVIET DELEGATION

Member

Vyacheslav Mikhailovich Molotov, Minister for Foreign Affairs.

Deputy for Germany

Andrey Andreyevich Smirnov, Chief, Third European Division (Central Europe), Ministry of Foreign Affairs; Deputy Minister for Foreign Affairs of the Russian Socialist Federative Soviet Republic.

Deputy for Austria

Nikolay Petrovich Koktomov, Counselor of the Embassy in the United Kingdom.

Advisers

Andrey Yanuaryevich Vyshinsky, Deputy Minister for Foreign Affairs.

Marshal of the Soviet Union Vasiliy Danilovich Sokolovsky,
Chief of the Soviet Military Administration in Germany.

Aleksandr Semyonovich Panyushkin, Ambassador-Designate to
the United States.

Georgiy Nikolayevich Zarubin, Ambassador to the United
Kingdom.

FRENCH DELEGATION

Member

Georges Bidault, Minister for Foreign Affairs.

Deputy for Germany

Tarbé de Saint-Hardouin, Political Adviser to the Commander-in-
Chief in Germany.

Deputy for Austria

Général de Brigade D. R. P. Cherrière, Deputy High-Commis-
sioner for Austria.

Advisers

Général d'Armée Georges Catroux, Ambassador to the Soviet
Union.

Général d'Armée Pierre Koenig, Commander-in-Chief in Ger-
many.

René Massigli, Ambassador to the United Kingdom.

Hervé Alphand, Director General for Economic and Financial
Affairs, Minister for Foreign Affairs.

Maurice Couve de Murville, Director for Political Affairs, Minis-
try for Foreign Affairs.

867N.01/11-2547 : Telegram

The Secretary of State to the Acting Secretary of State

TOP SECRET
URGENT

LONDON, November 25, 1947—8 p.m.

Martel 6. Eyes only for Lovett from Marshall. Last night Douglas and I had dinner with Bevin. Alexander and their two wives and Sir Edmund Hall-Patch were present. After dinner Bevin discussed a number of questions with us.

[Here follows a report of the discussion of Palestine, Germany, trade with the U.S.S.R., and Argentina. For the portions of the telegram covering Palestine, see volume V.]

I questioned Mr. Bevin as to his interview with Molotov a few hours previously and he stated that little occurred. However, he recited the conversation which took the line of his questioning Molotov as to

whether or not the Soviets were prepared to make any progress referring to the complete failure of the Deputies and asking if the Soviets sole method of procedure was three others must always agree with them. Molotov said that they had been threatened by the United States. Bevin said that he had seen no threats; that he had gained exactly the opposite impression. He added that the British people were tired of these delays and obstructions and they wished a prompt settlement. Mr. Molotov had no comments to make.

MARSHALL

740.00119 Council/11-2547 : Telegram

*The United States Delegation at the Council of Foreign Ministers to President Truman, the Acting Secretary of State, and Others*⁷⁷

CONFIDENTIAL

LONDON, November 25, 1947—10 p.m.

URGENT

6191. Delsec 1501. For the President, Vandenberg, Connally, Eaton, Bloom and Lovett. First meeting Council of Foreign Ministers opened November 25 in Lancaster House with Bevin, Molotov, Bidault and Marshall present. It was agreed that the chairmanship of the London session will rotate each meeting and that the Council will meet daily at 3:30 p.m.

Marshall introduced a suggestion to speed up the Council's work. Each Minister under the plan would circulate all prepared statements to his colleagues in advance of the meetings in order to avoid reading them before the Council, thus saving the time taken to translate them. The plan was accepted by all as a guide to be followed whenever possible.

Bevin, as Chairman, raised the question of the Council's agenda, on which the Ministers' Deputies could not agree during their meeting here last week.⁷⁸ The US, UK and France had proposed that the

⁷⁷ The United States Delegation prepared both verbatim minutes and summary minutes of each meeting of the Council of Foreign Ministers at London. These minutes are included in CFM Files, Lot M-88, Box 87. The Delegation also prepared a brief summary report of each Council meeting for transmission by telegram to Washington. These telegraphic summary reports, all of which are printed in the present collection of documents, were transmitted to Washington via the Embassy in London and bore the Embassy telegram number together with the special Delegation series indicator.

⁷⁸ The British, American, and French agenda proposals, circulated as documents CFM(47) (L) 1, 2, and 4, respectively, November 25, 1947, were virtually identical in listing the following six items:

1. Report of the Commission on the Treaty with Austria.
2. Economic principles, level of post-war German economy and reparations plan.
3. Form and scope of the provisional political organization of Germany.

Footnote continued on following page.

Austrian treaty be considered by the Council before the German problem. Molotov reaffirmed the Soviet position by saying that the German question is more important than the Austrian treaty and therefore should be considered first, specifically, the procedure for preparation of the German peace treaty. Marshall urged that the Austrian treaty be taken up first. He pointed out that the Ministers are close to agreement on this treaty and that the Council's completion of the treaty to reestablish the independence of Austria would reassure the people of the world. Bevin and Bidault supported this position but Molotov insisted that the Council begin its work by discussing the procedure to be followed in preparing the German peace treaty.

Marshall said CFM agreement on items on the agenda concerning the principles for German economic and political unity is essential before the Council can discuss profitably the procedure to be followed in preparing the German peace treaty.

Bidault stated that the world would be dismayed if the Ministers could not agree even on the order of their agenda and joined with Bevin in suggesting that, as a compromise, the Ministers exchange preliminary views on the Austrian question which could then be referred to the Deputies for Austria for further discussion while the Ministers proceeded to discuss the German question.

Bevin asked Molotov whether Soviet insistence on placing the Austrian treaty last on the agenda meant that if full agreement on the German question is not reached at this session, the completion of the Austrian treaty would again be delayed. Bevin added that the two issues are independent of each other. Molotov did not answer Bevin's question, but stated that the three Ministers were seeking to compel him to agree. He argued that agreement on current German questions, as maintained by Marshall, is not required prior to discussion of the procedure for preparing the German peace treaty.

Marshall said the US delegation would agree to refer the Austrian question to the Deputies with or without prior discussion by the Ministers and then pass on at once to the next question on the agenda.

Footnote continued from preceding page.

4. The U.S. draft disarmament and demilitarization treaty: other questions relating to security.
5. Frontiers of Germany.
6. Procedure of the preparation of the German peace treaty.

The Soviet agenda proposal, circulated as document CFM(47)(L)3, November 25, listed the following five items.

1. Procedure for the preparation of the German Peace Treaty.
2. Implementation of the decisions taken at the Moscow Session of the Council of Foreign Ministers on demilitarization.
3. Economic principles, level of post-war German economy and reparations plan.
4. Form and scope of the provisional political organisation of Germany.
5. Report of the Commission on the Treaty with Austria.

This suggestion was not accepted by Molotov. Thus, no agreement was reached on the order of discussing items on the agenda.

Bevin then raised the question of what other subjects would be included on the agenda. He asked whether Molotov would agree to include the US draft treaty for the disarmament and demilitarization of Germany. Molotov replied that he would agree to discuss the draft treaty only if the Council also discussed the present status of the disarmament and demilitarization of Germany. The Council agreed to include both these subjects on the agenda.

Molotov's objection to inclusion of a separate item on German frontiers was overcome when the Council agreed to include on the agenda as an item "The Preparation of a Peace Treaty for Germany, Frontiers and Procedure".

740.00119 Council/11-2647 : Telegram

The United States Delegation at the Council of Foreign Ministers to President Truman, the Acting Secretary of State, and Others

CONFIDENTIAL
URGENT

LONDON, November 26, 1947—9 p.m.

6210. Delsec 1504. For the President, Vandenberg, Connally, Eaton, Bloom and Lovett. Second CFM meeting November 26, Molotov presiding.

The Council approved its agenda and agreed on the following order of discussing the six items:

(1) Austrian treaty; (2) preparation of the German peace treaty; frontiers and procedure; (3) German economic principles, level of German postwar economy and reparations; (4) form and scope of the provisional political organization of Germany; (5) implementation of decisions taken at the Moscow CFM session on demilitarization; (6) US draft disarmament and demilitarization treaty.

The Council then referred the Austrian question, including the report of the Austrian Treaty Commission,⁷⁹ to the Austrian deputies⁸⁰ who will report back to the Council December 5.

Agreement on the agenda came when Molotov abandoned his position that the German question be discussed first and after he had read long prepared statement blaming the US and UK for delaying the conclusion of a German treaty and accusing them of seeking "an imperialist peace" while the USSR sought a "democratic peace". He

⁷⁹ Document CFM/ATC (47) 77, October 11, 1947, p. 631.

⁸⁰ As Special Deputies for Austria, the Council designated the following: United States—Ambassador Dodge, United Kingdom—James Marjoribanks, France—General Chérière, Soviet Union—N. P. Koltomov.

summarized Soviet views on the German question and listed as the two most important and urgent items the formation of "an all-German democratic government" and a CFM decision on the method of preparing a German peace treaty.⁸¹

Marshall stated that the American people want a German treaty to be concluded as early as possible and that Molotov's unfounded charges merely delay the business of discussing a German treaty. He asked Molotov to refrain from making propaganda charges and proceed logically and quietly with the business at hand. He emphasized that the United States is interested in the substance not the shadow of a German settlement.

Bevin said the UK, US, and France are accustomed to being called warmongers and that only the Soviet Union is "up above" while the Western Powers must be "down below". He added that "if we can treat the Soviet charges with the humor they deserve, we can promote peace".

The Council adjourned after agreeing to discuss tomorrow the procedure to be followed in preparing the draft of the German treaty.

740.00119 Council/11-2747 : Telegram

The United States Delegation at the Council of Foreign Ministers to President Truman, the Acting Secretary of State, and Others

CONFIDENTIAL

LONDON, November 27, 1947—9 p.m.

6219. Delsec 1507. For the President, Vandenberg, Connally, Eaton, Bloom and Lovett. Third CFM meeting November 27, Marshall presiding, considered the second item on its agenda—the preparation of the German peace treaty; frontiers and procedures.

Bidault asked the Council to approve the economic integration into France of the Saar which would legalize the *de facto* status of the area. He also asked the CFM to settle in principle the question of the rectifications of the German frontiers desired by Belgium, Czechoslovakia, Luxembourg and the Netherlands. He stressed the demographic problem created in Germany since the war by crowding more Germans into less area than that of pre-war Germany. He restated his Moscow position that large numbers of Germans should emigrate to other countries, and urged that any frontier changes should result in no further transfers of persons into Germany.

⁸¹ For the text of Molotov's statement, circulated to the Council as document CFM (47) (L) 6, November 26, 1947, see Molotov, *Problems of Foreign Policy*, pp. 503-510.

Bevin restated the British position taken at Moscow on the establishment of a central German government.⁸² He said he is prepared to shorten the time when the creation of such a government can be allowed but wants to be certain of a democratic not a puppet government and does not want to allow conditions to develop which would lead again to the establishment of a dictatorship in Germany. He differed with Bidault's position on the density of population in Germany and pointed out that if freedom of movement throughout Germany were guaranteed, the population density of the various zones would be eased. At a later time, he added, remedial measures could be studied by experts and action taken if necessary. He restated his proposal to create a frontier commission which he said would start work immediately on the German frontier rectification claims of the Allied states mentioned by Bidault.⁸³ He reaffirmed his support of the French position on the Saar.

Molotov proposed that the Council consider the following main questions relating to the procedure for the preparation of the German peace treaty: (1) formation of an all-German democratic government; (2) peace conference for the consideration of a draft peace treaty; and (3) basic directives for the preparation of the peace treaty.⁸⁴

Marshall supported Bevin's plan to form a German frontier commission to handle all boundary claims but added that the US favored two commissions for this work. He supported the economic integration of the Saar into France accompanied by political autonomy for the region. He said the Polish-German frontier had not been settled (as Molotov has contended) but is a question for the peace conference and should be decided in such a way as to contribute to the economic and political stability of Europe.⁸⁵ He agreed in principle with the UK plan for the creation of a central German government adding that differences of detail can be worked out by the deputies for Germany or by the Allied Control Council in Berlin.

⁸² Prior to making his statement, Foreign Secretary Bevin circulated to the Council a proposal entitled "Supplementary Principles to Govern the Treatment of Germany", designated document CFM(47)(L)7, November 27, 1947, p. 779. This was the same proposal the British Delegation circulated to the Moscow Session of the Council of Foreign Ministers as document CFM(47)(M)89, March 31, 1947.

⁸³ For Bevin's proposal, see document CFM(47)(L)12, November 28, p. 789.

⁸⁴ For the text of Foreign Minister Molotov's statement and proposal, see Molotov, *Problems of Foreign Policy*, pp. 511-514. The text of the Molotov proposal, circulated to the Council as document CFM(47)(L)9, November 27, is also printed in *Documents on International Affairs, 1947-1948*, pp. 510-511.

⁸⁵ For the text of the Secretary of State's statement on the Polish-German frontier, see *Germany 1947-1949*, p. 149 or Department of State *Bulletin*, December 7, 1947, pp. 1078-1079.

Marshall said the US had been the leader in urging the creation of a provisional German government.⁸⁶ He added that Molotov's proposal that the German government be given an opportunity to state its views at the peace conference involved a question of timing which he believed could be worked out. He said he would make a formal reply later but pointed out his disagreement with the Soviet position on the list of states which would participate in the work of preparing the peace treaty.

Bidault stated that the Council was not following its agenda and was discussing questions other than frontiers and procedure for the establishment of a German peace treaty. He supported the creation of commissions to work on German boundary questions but Molotov's objection that such a decision was premature prevented CFM agreement on this proposal.

Repeated to Moscow, Paris, Berlin, Vienna, Rome.

DOUGLAS

740.00119 Council/11-2847 : Telegram

The United States Delegation at the Council of Foreign Ministers to President Truman, the Acting Secretary of State, and Others

CONFIDENTIAL
URGENT

LONDON, November 28, 1947—9 p.m.

6249. Delsec 1509. For the President, Vandenberg, Connally, Eaton, Bloom, and Lovett. Fourth CFM meeting, November 28, Bidault presiding, discussed Bevin's proposal⁸⁷ to instruct the deputies for Germany to establish an allied commission or commissions to report on the territorial claims against Germany of the states neighboring on Germany. Marshall and Bidault accepted the proposal but Molotov objected, thus preventing agreement.

Bidault pointed out that Marshall and Bevin supported the economic integration of the Saar into France but Molotov made no comment in reply.

The council turned to the next subject on its agenda—the procedure to be followed in preparing the German peace treaty. Molotov asked the Council members first to reaffirm their agreement to establish a democratic government for the whole of Germany. He cited British reports of plans to establish a government in three western zones of Germany. Bevin replied that as the spokesman for the British Gov-

⁸⁶ For the text of the Secretary of State's statement on the need for a Provisional German Government, see *Germany 1947-1949*, pp. 192-193 or Department of State *Bulletin*, December 7, 1947, p. 1079.

⁸⁷ Document CFM (47) (L) 12, November 28, 1947, p. 789.

ernment, only his statements should be accepted as defining UK policy. He added that since Potsdam he had tried to obtain agreement on the formation of a truly democratic German Government so that Germany could return to the family of nations. He added that the British people are criticizing him for being too patient in seeking Four-Power agreement on Germany. He denied that the UK had assumed that this conference would fail but he stated that he could not commit his government to take no action if CFM agreement were impossible on measures to end the present chaos in Germany and to create a central German government, democratic in the British meaning of the word.

Marshall said the US position on the unity of Germany is clear and a matter of record, that talk about German unity is not enough but must be accompanied by practical measures. He said the US offer of September 1946 to unite the US zone with any other zone is still open and presents a way to achieve German unity.

Bidault said he would not reply to Molotov's question about German unity because Molotov had not replied to the French request for a Soviet statement on the economic integration of the Saar into France. He said the question of a central German government can not be settled until agreement is reached on Germany's frontiers.

Molotov introduced an amendment to his proposal of yesterday asking the Council to go on record as opposing the formation of any government for any zone of Germany. Bevin replied that he had heard reports that the USSR was forming a separate government in its zone but had not believed them and asked that Molotov have the same confidence in his colleagues. He urged the Council to get down to the work of deciding on how the German treaty is to be prepared by discussing specifically the proposals on this subject introduced in Moscow.

The Council will continue its discussion of this subject tomorrow.

Repeated to Moscow, Paris, Berlin, Vienna, and Rome.

740.00119 Council/11-2847

Memorandum of Conversation, by the Secretary of State

TOP SECRET

[LONDON,] November 28, 1947.

Present:	Secretary Marshall	M. Bidault
	Ambassador Douglas	Ambassador Massigli
	Mr. Dulles	Couve de Murville
	Mr. Bohlen	

THE PROCEDURES OF THE CFM

During the course of the conversation which took place at luncheon, M. Bidault outlined the French view of procedures which should be

followed that afternoon at the conference which as it turned out were completely identical with the procedure agreed on at the U.S. Delegation meeting that morning.

M. Bidault said that it was his desire to maintain the closest and most intimate contact between the American and French Delegations during this conference and assured me that the French Delegation would give us prior notice before making any statement of any importance at this conference. M. Bidault said that he felt it was of the greatest importance that the United States and France should be as close together as possible at this conference and avoid at all costs any split with the Russians and French on one side and the British and the Americans on the other. I assured M. Bidault that we likewise desired to work in the closest harmony as we fully appreciate the importance of the British, French and ourselves who shared a common purpose being as close together as possible.

FRENCH POLICY IN REGARD TO GERMANY

I referred to our talks in Moscow and New York⁸⁸ concerning the French attitude toward certain fundamental questions in regard to Germany and asked M. Bidault if, in view of the political developments in France since that time, the views that he had expressed to me on those occasions still represented French policy.

M. Bidault replied that in so far as he was concerned, he intended to adhere to the point of view expressed to me at Moscow and New York and that there had been no change. He added that he would not accept changes from any force, as he put it, outside of the French Government. With reference to the fusion of the French Zone, he said, without "too much precipitation" and having in mind the complicated and difficult negotiations that would be necessary, it was still the French view that in the event of a failure to agree at this conference that discussion for the fusion of the French zone should be undertaken promptly. He said the same was true in regard to the French attitude toward the Ruhr.

RUHR AND LEVEL OF INDUSTRY

I told M. Bidault that while appreciating to the full the difficulties that he was laboring under in view of the present situation in France,⁸⁹

⁸⁸ For records of the conversations between Secretary Marshall and Foreign Minister Bidault in Moscow on March 10, March 13, and April 20, 1947, see pp. 241, 246, and 367; for records of their conversations in New York on September 18 and October 8, 1947, see pp. 680 and 682.

⁸⁹ For documentation on the interest of the United States in the political, economic and financial situation in France, see volume III.

I nevertheless wished to draw his attention to the vital importance of the debates now proceeding in Congress on the European aid program.⁹⁰ I said that I hoped that he would balance most carefully the relative advantages of possibly a temporary effect on French public opinion of a certain type of statement as against the adverse reaction which such statements might cause in American public opinion and hence in Congress. I said I felt that the debates in Congress and the successful passage of the recovery program was of course of transcendental importance and should always be kept in mind. I would therefore urge M. Bidault to think most carefully concerning the desirability of raising at this conference the question of the bi-zonal level of industry⁹¹ in the light of my observations. On the Ruhr, I said I was sure M. Bidault had considered the fact that if the question of a special international regime for the Ruhr was raised at this conference it would inevitably carry with it the implication of Russian participation in such a regime.

M. Bidault replied that he had these considerations much in mind and in this connection pointed out that the reports that the House of Representatives intended to cut the interim aid appropriations had been seized upon by the Communists in France as confirmation of all their warnings.

On the bi-zonal level of industry he said that it would probably be necessary for the French Delegation to comment on this but he could assure me that these comments would be most carefully worded and would avoid any form of provocation or an attack. As to the Ruhr, he said that I would have noticed yesterday that he had specifically refrained from raising the Ruhr under the subject of frontiers and would only raise it in connection with item 6 dealing with security. He said he was fully aware of the implications of Russian participation that were involved in this matter.

GENERAL COMMENT ON THE SITUATION IN FRANCE

M. Bidault said that the situation is now clear, namely, that the Communists at present are making their great bid for power, but that he was confident that despite all the difficulties the Government would be able to handle the situation.

⁹⁰ For documentation on the interest of the United States in European economic recovery, see volume III.

⁹¹ For additional documentation regarding the revised level of industry plan for the Western zones of occupation of Germany, see pp. 977 ff.

740.00119 Council/11-2947 : Telegram

*The United States Delegation at the Council of Foreign Ministers to President Truman, the Acting Secretary of State, and Others*CONFIDENTIAL
URGENT

LONDON, November 29, 1947—9 p.m.

6255. Delsec 1511. For the President, Vandenberg, Connally, Eaton, Bloom and Lovett. Fifth CFM meeting, November 29, Bevin presiding, discussed the details of the procedure for the preparation of the German peace treaty.⁹² The government of Allied states to be considered by the Council in preparing the treaty was agreed on in principle at Moscow with the exception of Albania. Since the Moscow meetings the division of India has raised the question of adding Pakistan.

Molotov proposed that both Pakistan and Albania be included among the Allied states to be consulted. Marshall and Bevin stated their opposition to the inclusion of Albania while Bidault reaffirmed the French position in favor of consulting Albania. Bevin proposed and the other ministers agreed to include Pakistan but reserve their position on Albania until after a separate discussion of the whole question of Albania.

The Council then discussed Molotov's insistence on forming an all-German government prior to the calling of a conference to discuss the Council's draft German peace treaty. Marshall stated that this proposal would tie the Council's hands and Bidault strongly opposed it contending that the formation of a central German government was not tied to nor should it be made a prior condition to the calling of the conference to discuss the draft peace treaty. Bevin also objected to the Molotov proposal and attempted to overcome differences on this point by suggesting that Molotov's wording be replaced by a statement that representatives of a German government adequate for the purpose of accepting a peace treaty will be given an opportunity of stating their views at the peace conference. Molotov accepted Bevin's change but added that it was insufficient. He asked the addition of the statement that the creation of an all-German government admitted no delay. Bidault replied that the creation of a German government, the form and scope of which the CFM had not yet decided, must not precede the calling of the peace conference. Marshall reserved his

⁹² Starting with this meeting and continuing through its 8th Meeting, December 3, the Council had under consideration document CFM(D)(L)(47)(G)78 rev., November 12, 1947, Procedure for the Preparation of the German Peace Treaty, not printed. This document incorporated the minor revisions of document CFM(47)(M)125, April 12, 1947, p. 452, on which the Deputies for Germany had agreed during the session in London in early November 1947. The differences between CFM(47)(M)125 and CFM(D)(L)(47)(G)78 rev. are indicated in annotations to the former document.

position on Bevin's proposal after pointing out that the Potsdam Agreement provided that the CFM would be utilized for the preparation of a peace settlement for Germany to be accepted by the government of Germany when a government adequate for the purpose is established. Marshall said he hoped a German government would be in existence before the peace conference but that the two questions should not be contingent upon each other.

Further discussion did not resolve the difference over which should come first, the central German government or the peace treaty. Bevin proposed and the Council agreed to pass on to the next subject.

The Ministers decided to adjourn until Monday when they will continue discussion of procedure for the preparation of the peace treaty.

Repeated to Moscow, Paris, Berlin, Vienna, Rome.

740.00119 Council/12-147: Telegram

The United States Delegation at the Council of Foreign Ministers to President Truman, the Acting Secretary of State, and Others

CONFIDENTIAL

LONDON, December 1, 1947—7 p.m.

URGENT

6272. Delsec 1514. For the President, Vandenberg, Connally, Eaton, Bloom and Lovett. Sixth CFM meeting, December 1, Molotov presiding, continued the exchange of views on procedure to be followed in preparing the German peace treaty. The ministers again discussed the question of whether the existence of central German government should be prerequisite to calling German peace conference. No agreement was reached and the subject will be brought up later.

The discussion turned to a clause drafted by the US providing that the Council would draw up the final text of the peace treaty, taking into consideration the recommendations of the peace conference which are supported by a two-thirds vote of those present and voting and the other recommendations which are supported by a majority of those present and voting at the conference.⁹³ Bidault accepted this clause, but added the reservation that French acceptance depended on a satisfactory CFM decision regarding the composition of the peace conference. Bevin reserved his position, but said he would reply tomorrow. Molotov accepted the clause in principle.

Marshall, Bevin and Molotov agreed that the peace treaty should be signed by a German government adequate for the acceptance of the

⁹³ Under reference here is a clause proposed by the United States for Part I, paragraph 5 of CFM(M) (47)125, April 12 (and CFM(D)(L) (47) (G)78 rev.). For the text, which was subsequently approved by the Council at its 7th Meeting, December 2, see footnote 14, p. 454.

treaty, but Bidault reserved his position until the CFM decides when a central German Government is to be formed. Discussion of a clause⁹⁴ agreed to by the UK, USSR and France, stating that the peace treaty will be presented to the other United Nations who are in a state of war with Germany was postponed after Marshall asked that it be brought up when the composition of the peace conference is considered.

Marshall, Bidault and Bevin agreed that the German constitution should provide that all powers thereunder be exercised subject to and in accordance with the peace settlement.⁹⁵ Molotov objected to the clause as an impairment of the sovereignty of a future democratic peace loving and independent Germany which he expected would exist after the end of Four-Power occupation. Marshall suggested the clause be referred to drafting committee to clarify the meaning. He said the Soviet position was based on a misunderstanding of an intention to do no more than make the peace treaty part of basic German law. Both Marshall and Bevin strongly denied Molotov's contention that this clause would transform Germany into an Allied colony. Molotov maintained his objection and the Council agreed to continue tomorrow the discussion of procedure.

Repeated to Moscow, Paris, Berlin, Vienna and Rome.

740.00119 Council/12-247 : Telegram

The United States Delegation at the Council of Foreign Ministers to President Truman, the Acting Secretary of State, and Others

CONFIDENTIAL

LONDON, December 2, 1947—8 p.m.

URGENT

6286. Delsec 1515. For the President, Vandenberg, Connally, Eaton, Bloom and Lovett. Seventh CFM meeting, December 2, Marshall presiding, discussed additional unagreed proposals on the procedure to be used in preparing the German peace treaty. The ministers were unable to agree on the composition of the four permanent committees to be created by the CFM to study questions relating to the German peace treaty. Bevin stated that the allied states which played a vital part in the war had the right to participate in the committee work along with representatives of the four CFM members. He objected to a French proposal, accepted by Molotov, to invite only those allied states concerned in the problems under consideration to participate in the study and discussion of these problems by the committees.

⁹⁴ Unagreed clause in Part I, paragraph 6 of CFM(M) (47)125, (and CFM (D) (L) (47) (G) 78 rev.), p. 455.

⁹⁵ Reference to the unagreed clause in Part I, paragraph 7 of CFM(M) (47)125, p. 455.

Marshall insisted on maintaining the right of other allied states to participate in the committee work. He cited Canada's major contribution to the war as an example of a state which should participate by right, not by invitation.⁹⁶

The Council did agree that the work of the committees will be directed by the deputies. The committees will submit reports reflecting any divergencies of view and including proposals presented by the allied states which have participated in the discussion. Each committee will appoint sub-committees when necessary.

However, no agreement was reached on the composition of the sub-committees for the same reasons as prevented agreement on the membership of the full committees and the question was referred to the deputies at the suggestion of Molotov.⁹⁷

The Council agreed to form an information and consultation conference of allied states which will keep all allied states informed of the Council's work on the treaty, as well as organize the work of consulting these allied states on questions concerning the German peace treaty.⁹⁸ Marshall asked that all states at war with Germany and allied states which are neighbors of Germany be included in the information and consultation conference. The British and French asked that the other allied states be divided into two groups—those which will be consulted and informed because of their greater contribution to the war, and those which will only be informed of the CFM work on the peace treaty. Molotov wanted to limit membership in this conference to those states neighbors of Germany and other allied states which participated with their armed forces in the war against Germany. He said the US proposal would allow 55 states to come into the conference rather than the 25 states (including Albania) eligible under his plan. In rejecting flatly the US proposal, Molotov indirectly disparaged the war contribution of the Latin American states. Marshall replied that many of these states provided ports and airfields which facilitated the shipment of supplies to the USSR during the war and that this contribution cannot be overlooked nor can they be denied a part in the peace making

Bevin asked Marshall and Molotov to accept the British-French compromise proposal. Molotov replied by offering a revised Soviet proposal and Marshall said he would comment further on this question tomorrow.

⁹⁶ Under consideration by the Council was CFM(M) (47)125 (and CFM(D) (L) (47) (G) 78 rev.), Part II, paragraph 3, p. 456.

⁹⁷ The Council was discussing Part II, Paragraphs 4, 5, and 6 of CFM(M) (47) 125.

⁹⁸ The Council had taken up Part II, paragraph 7.

Marshall brought up Molotov's refusal to agree to include China as a member of the CFM when the Council convenes the conference to discuss the German draft treaty. The three other ministers have accepted China but Molotov maintained his objection.

The Council reached agreement on voting rules for the peace conference which were discussed yesterday (see Secdel 1514⁹⁹) after Bevin and Molotov announced their acceptance of the US proposal.

The Council decided to continue the discussion on procedure tomorrow and then take up the report of the deputies for Austria.

Repeated to Moscow, Paris, Berlin, Vienna, Rome.

740.0011 EW (Peace)/12-347

*Memorandum of Conversation, by the Secretary of State*¹

LONDON, December 3, 1947.

Participants: The Secretary
 Dr. Gruber, Austrian Foreign Minister
 Mr. Hickerson

Dr. Gruber came in to see me at 12 noon today by appointment made at his request. He opened the conversation by expressing Austria's grateful appreciation for all that the U.S. has done in Austria's behalf. He said that he earnestly hopes that it will be possible to complete an Austrian Treaty at an early date. He said that he realizes that there are certain risks to Austria in this course but that he believes that it is, taking everything into account, the most desirable course to be followed.

Dr. Gruber said that the French proposal² for dealing with the Soviet claims to German assets is in his opinion the most feasible approach which has yet been brought forward and he feels that it should be strongly supported by the three Western Powers. Dr. Gruber went on to say that if during the course of the present meeting of the CFM, it becomes clear that an Austrian Treaty is not in sight, there are two things which he thinks the three Western Powers should do to fix clearly the responsibility for the breakdown on the USSR: (1) The three Western Powers should publicly renounce their claims to German assets in the Western zones and (2) The Western Powers should declare their readiness to agree to the withdrawal of all occupation forces from Austria.

⁹⁹ *Supra*. Agreement was reached on Part I, paragraph 5.

¹ See also the memorandum submitted to the Secretary of State by Foreign Minister Gruber on December 15, p. 1226.

² The reference here is to document CFM/ATC(47)76, October 8, 1947, p. 620.

Dr. Gruber said that the offer to withdraw troops should, of course, be conditional on the Soviet Government's withdrawing its occupation forces.

I told Dr. Gruber that the U.S. would continue to press for the conclusion of an Austrian Treaty at the earliest possible date. I said that I had considered the two proposals which he had just made but that I could tell him that he must know from the attitude we have assumed in the past that the U.S. claim to German assets in its zone of Austria will not be an obstacle to a settlement.

I told him that our principal problem in this whole matter is on a choice of tactics and that I am sure that he understands that the U.S. Delegation will continue to do everything it can to obtain a fair and equitable solution of the Austrian problem at the earliest possible moment.

Dr. Gruber said that he would probably send me a letter in the next day or so asking that I consider using our good offices with the Italian Government on behalf of a reasonable attitude on the part of Italy in the current negotiations with Austria respecting South Tyrol. He said that in his opinion the Communists in Austria and Italy are basically the cause of the difficulties in connection with the negotiations.

I then told Dr. Gruber about the Yugoslav request to be heard in the CFM in regard to Austria.³ I told him that I intended when this subject is raised to interpose no objection to Yugoslavia's being heard provided they do not merely repeat what they have said in the past but are presenting new material. I said that it seemed to me that on ground of equity as well as a practicable matter, it would be desirable for Austria to be represented to hear the Yugoslav statement and to have an opportunity to reply to it. Dr. Gruber at once said that he felt that Austria should have such a right. He said that he could send a note in the next hour to the Secretary to the CFM asking for such a right and he inquired whether I saw any objection to his doing that. I replied that I saw no objection.

³ In a note to the Secretary of State on October 31, 1947, not printed, the Yugoslav Ambassador requested that Yugoslavia be invited to send its representatives to be heard at the forthcoming session of the Council of Foreign Ministers. Similar requests were sent to the United Kingdom, the Soviet Union and France. In his reply of November 7, not printed, the Secretary suggested that Yugoslavia's request be submitted directly to the Council (740.00119 Council/10-3147). In *note verbale* of December 1, 1947, subsequently circulated to the Council of Foreign Ministers as document CFM(47) (L)14, December 1, 1947, not printed, the Yugoslav Ambassador in London renewed his government's request to be heard at the Council session (CFM Files).

740.00119 Council/12-347: Telegram

The United States Delegation at the Council of Foreign Ministers to President Truman, the Acting Secretary of State, and Others

CONFIDENTIAL
URGENT

LONDON, December 3, 1947—7 p. m.

6306. Delsec 1517. For the President, Vandenberg, Connally, Eaton, Bloom and Lovett. Eighth CFM meeting, December 3, Bidault presiding, again discussed the composition of the conference which is to discuss the draft German Peace Treaty. After an exchange of views by the Ministers on the list of states eligible to take part in the conference, the Council then referred the entire question of the peace making procedure to the Deputies in the hope that agreement would be reached on additional points.⁴

Molotov proposed that the governments represented on the CFM present to the Council within two months their views on the basis of a German treaty. Bidault interpreted the Soviet proposal to mean the termination of this session of the CFM since the remainder of the Council's agenda consisted of questions which are basic to the German treaty. Molotov said Bidault's interpretation was incorrect but in view of the lack of support of his proposal by the other Ministers, he withdrew it.

The Council then received the report of the Deputies for Austria on the draft treaty re-establishing an independent and democratic Austria.⁵ The Deputies reported that a French proposal aimed at ending disagreement over the disposition of German assets in Austria had been discussed and accepted as basis for further discussion by the US, UK and France but rejected by the Soviet Deputy. The Ministers postponed until tomorrow a discussion of this report.

Repeated to Moscow as 347, Paris as 631, Berlin as 513, Vienna as 129, Rome as 160.

⁴ The Provisional Record of Decisions of this meeting records the Council's decision as follows:

"After an exchange of the views between Delegations the Council *agreed* to refer to the Deputies for Germany the question of the composition of the Peace Conference, its committees and sub-committees and of the composition of the Information and Consultation Conference and the remaining points still unagreed in document CFM (D) (L) (47) (G) 78 Revised." (CFM Files: Box 87: Provisional Records of Decisions)

⁵ Document CFM (47) (L) 15, December 2, 1947, p. 798.

740.00119 Council/12-447 : Telegram

The United States Delegation at the Council of Foreign Ministers to President Truman, the Acting Secretary of State, and Others

CONFIDENTIAL

LONDON, December 4, 1947—7 p.m.

URGENT

6326. Delsec 1521. For the President, Vandenberg, Connally, Eaton, Bloom and Lovett. Ninth CFM meeting, December 4, Bevin presiding, discussed the Austrian treaty.⁶ Marshall pointed out that the US, UK and France had reached substantial agreement on a definition of German assets in Austria which are transferable to the USSR under the Potsdam Agreement. He noted that the USSR did not agree with the other three powers on this definition and asked Molotov several questions in an attempt to find out what the Soviet Union wanted from Austria. He stressed the necessity of solving the German assets question now in order that the conclusion of an Austrian treaty would not be further delayed.⁷ Bidault pointed out that France had made every effort to conciliate the USSR on this question but that it would go no further. Bevin intimated that Molotov was not dealing with the German assets problem on its merits but was using it to achieve other ends. He said he could not understand why the treaty was being held up, thus necessitating the retention of occupation troops in a liberated country. He pressed Molotov to state specifically the Soviet claims against Austria.

Molotov stated that he could not accept the views of his colleagues and contended that only his position was in conformity with the Potsdam Agreement and the Moscow Declaration. He accused the US of violating the sovereignty of Austria in providing economic assistance and said the US and UK had blocked an agreement between Austria and the USSR on the disposition of German assets in Austria. Marshall categorically denied Molotov's charges, adding that the real purpose of such propaganda attacks is to disrupt the great cooperative movement that is being launched for the economic recovery of Europe.

Marshall asked Molotov whether the Soviet Delegation had any proposal to resolve the differences on this question other than that the three western powers reverse their firm convictions and agree to the Soviet position on German assets. Molotov replied that he could not accept the compromise offered by the French and merely repeated that the Soviet views on this question are known.

⁶ Under discussion during this meeting of the Council was document CFM (47) (L) 15, December 2, 1947, p. 798.

⁷ For the text of the Secretary of State's statement summarized here, see *Germany 1947-1949*, pp. 385-387, or Department of State *Bulletin*, December 14, 1947, pp. 1183-1184.

Bevin said he was attempting to prevent complete deadlock in the CFM on this issue because of the unfortunate effect on Austria of further delay in completing the Austrian treaty. Molotov said he was prepared to accept 10% less than the amount of German assets to which the USSR is entitled. Bevin pointed out that Molotov was offering to take 10% off an unknown total and again asked Molotov to draft a concrete proposal. Molotov said he had no new proposals to offer.

In view of the lack of progress on Austria, Marshall proposed and the Council agreed to leave this subject and to consider tomorrow the next item on the agenda which is economic principles for Germany, the level of German post-war economy and plan for reparations.

Repeated to Moscow, Paris as 633, Berlin as 515, Vienna as 131, Rome as 162.

740.00119 Council/12-547 : Telegram

The United States Delegation at the Council of Foreign Ministers to President Truman, the Acting Secretary of State, and Others

CONFIDENTIAL

LONDON, December 5, 1947.

URGENT NIACT

6348. Delsec 1523. For the President, Vandenberg, Connally, Eaton, Bloom and Lovett. Tenth CFM meeting, December 5, Molotov presiding, discussed the economic principles of the German settlement. Marshall asked the Council to drop generalities and try to find out what each delegation really has in mind respecting a settlement for Germany. He said the situation in Germany required four-power decisions on matters of substance and asked for action on fundamental points in order to end the present division of Germany. He accepted as a basis for discussion the Moscow proposals of the British delegation to which he said he would add amendments. (See full statement sent Department as Delsec 1522.⁸)

Bidault reaffirmed the French position taken at Moscow. He said France is not opposed to the revival of a peaceful German economy but does not want German resources to be used for the preparation of aggression and does not want the restoration of Germany to have priority over that of the Allied countries. He renewed his request that a special regime be applied to the Ruhr.

Bevin said the proposals he made in Moscow concerning economic principles still represented the British position.

⁸ The telegram under reference is not printed. For the text of the Secretary's statement, which was circulated to the Council as document CFM (47) (L) 19, December 5, 1947, see *Germany 1947-1949*, pp. 448-449 or Department of State *Bulletin*, December 14, 1947, pp. 1184-1185.

Molotov said the Soviet position taken at Moscow stood unchanged. He then attempted to show that the conclusions of the Harriman Committee on the immediate need for a German Government⁹ are at variance with Marshall's statement that before the Council decides on the kind of government to be set up in Germany, it must agree on common principles in Germany necessary to enable a government to function effectively. (Marshall in his statement listed these principles as: basic freedoms for the individual; abolition of zonal boundaries, except as delimitation of occupation areas, with no hindrance to the free flow of persons, ideas, and goods throughout Germany; and a clear determination of the economic burdens the German people are to bear.)

Molotov intimated that Marshall's support of a government for all Germany was insincere and that the Harriman report revealed the US had decided already to set up a separate government for western Germany. He accused the US and UK of taking unilateral actions in their zones which deepened the division of Germany. He alleged that the fusion of the US and UK zones had retarded economic revival in these areas but claimed that industrial production in the Soviet zone had steadily risen. He said the Allies should insist on Germany paying reparations and occupation costs but that the rehabilitation of its peaceful industry should not be hampered. He urged the immediate establishment of central economic administrative agencies as a step toward the creation of an all-German Government and as necessary as the economic rehabilitation of Germany.¹⁰

Marshall refuted Molotov's allegation of differences within the US Government on the German question. He said our representative on the Allied Control Council for Germany had encountered Soviet opposition to all attempts to achieve German economic unity. He asked whether Molotov meant that the Soviet Union would refuse to accept the political and economic unity of Germany until Germany paid ten billion dollars in reparations to the USSR and, if this were true, how did Molotov expect Germany to pay such a sum. He cited figures to prove that the economic situation in the US-UK zones had improved materially. He again asked Molotov to accept the British proposal as a basis of discussion and to avoid making further irrelevant general statements.¹¹

⁹ The reference here is to *European Recovery and American Aid: A Report by the President's Committee on Foreign Aid* (Washington, Government Printing Office, 1947), released to the press and public in Washington on November 7, 1947. For a summary of the Report, see Department of State *Bulletin*, November 16, 1947, p. 937. Secretary of Commerce Harriman was Chairman of the President's Committee.

¹⁰ For the text of Molotov's statement, see Molotov, *Problems of Foreign Policy*, pp. 515-524.

¹¹ For the text of the Secretary's statement summarized here, see *Germany 1947-1949*, pp. 449-450 or Department of State *Bulletin*, December 14, 1947, pp. 1185-1186.

Bevin deprecated Molotov's charges, adding that the Council had come to negotiate not to discuss generalities. He said Germany must pay its way and not be a burden on any occupying power as Bidault had stated. Reparations must be arranged, he continued, in such a way that one allied state is not in effect paying reparations to another allied state. He added that at all costs the Allies must not endanger their security by permitting industrial potential in Germany to reach a dangerous point in order to obtain more reparations as was done after the first world war. He said the British proposal included controls to prevent the rehabilitation of Germany at a rate faster than that of liberated countries. He pointed out that the UK proposal called for the creation of central German administrative agencies.

The discussion will be continued tomorrow.

Repeated to Moscow; Paris as 637; Berlin as 516; Vienna as 132; Rome as 163.

740.00119 Council/12-647: Telegram

*The Secretary of State to the Acting Secretary of State*¹²

TOP SECRET
URGENT

LONDON, December 6, 1947—3:30 p.m.

Martel 40. For Lovett from the Secretary. At a meeting with Bevin Thursday¹³ morning, at which Douglas and Dixon, Bevin's secretary, were present, the following matters were discussed:

1. Middle East
2. Austrian Treaty
3. Tactics toward Germany
4. Palestine

I shall comment on each separately, as follows:

1. *Middle East*. Memorandum being mailed.¹⁴
2. *Austrian Treaty*. I expressed some concern at the way the negotiations at the Council were developing in regard to Austria. I said our government wanted an Austrian treaty but was afraid of being manoeuvred into a position under which we should have agreed to a course regarding German assets in Austria—i.e. French proposal¹⁵—which could be cited by the Soviet delegation as a precedent for their claim to reparations from current production in Germany without getting in return Soviet agreement, and, as a result, an Austrian

¹² A copy of this telegram was sent to President Truman on December 8.

¹³ December 4.

¹⁴ The memorandum under reference has not been found.

¹⁵ The French proposal was set forth in documents CFM (ATC) (47) 76, October 8, 1947, p. 620 and CFM (47) (L) 8, November 27, 1947, p. 799 and was discussed in document CFM (47) (L) 15, December 2, 1947, p. 798.

treaty. I said I thought Congressional opinion would also dislike the French proposal regarding German assets in Austria for the same reason; namely, that it might lend color to the Soviet argument for reparations from current production in the case of Germany. Furthermore, I did not want to be committed to the French proposals in regard to Austria until we saw how the discussion developed. In other words, I did not wish to give away a point on Austria except in return for some advantage.

Bevin said he found himself in a difficult position at the CFM meeting December third.¹⁶ He had thought the US Government had accepted the French proposal regarding German assets in Austria; moreover, his interpretation of the Soviet move in suggesting, on December third, deferment for two months of the German treaty, was that the Russians wanted to break off the present discussions so as to get out of any treaty with Austria. He had, therefore, thought it best to act as he had in order to deprive the Soviet delegation of any chance to break off the discussions. The Soviet reasons in wishing to break off the discussions, Bevin thought, was roughly the following: If the Communist attempt to upset the constitution in France failed,¹⁷ and if Congress passed the Interim Aid Bill,¹⁸ the Russians would find themselves in a weakened position at the present negotiations. Bidault had told him that the French Government expected that they would have broken the Communist move by next Sunday, December 7th. Reverting to discussions on Austria which took place December third, Bevin pointed out that he had accepted the US proposal regarding compensation, although two to three million pounds worth was involved for them in order to get agreement between the US and Britain.

In regard to the French proposals regarding German assets in Austria, I would like to make it plain that if the Soviet delegation should accept them and not distort them, the US Government would, on its own part, also be prepared to accept.

3. *Tactics toward Germany.* I said that I had been turning over possible courses of action, if it became clear that a stalemate was going to be reached. One method which had occurred to me was that at some stage I should make a statement listing the six or seven main points on which it was essential to reach agreement regarding the economic position of Germany if the German economy was to be stabilized and to declare that if no settlement could be reached between the four

¹⁶ See telegram 6306, Delsec 1517, December 3, from London, p. 746.

¹⁷ For additional documentation on the concern of the United States over the political situation in France, see volume III.

¹⁸ In November 1947 a Draft European Interim Aid Bill was introduced to a special session of the Congress, and a compromise bill was voted on December 19, 1947; for documentation regarding this Interim Aid Bill, see *The Political and Economic Crisis in Europe*, in volume III.

powers then the US and Great Britain would have to take the necessary steps on their own.

Bevin said that he had already stated at the conference that H.M.G. could not tolerate economic chaos in Germany. He felt that the country was behind him in expecting us to take our own measures to adjust German economy if the discussions here failed. Indeed, the general feeling in his country seemed to be prepared for a breakdown of the conference. In his view, at the appropriate time we ought to force the debate on the main outstanding economic questions and also possibly indicate our requirements for the political organization of Germany in a way to bring out that the Soviet objective was a Communist-controlled Germany. He would, however, like to discuss the matter with his colleagues before giving me a final answer. It was largely a matter of tactics and timing. He said that he would ask Dixon to keep in touch with Douglas on the point.

I said that, quite frankly, what would be popular in the US would be that I should break off and tell the Russians to go to the devil, but that this public response would be temporary and would be followed later by a different one when the implications were fully understood. I, however, tentatively thought that it might be wise to indicate the differences on matters of real substance and to suggest that unless agreement could be had on them we would have to proceed—always making it clear, however, that we were not permanently breaking. It was important, of course, to choose our ground carefully and to time it to the best possible advantage; we must at the same time be careful to avoid allowing ourselves to be manoeuvred by the Russians into a situation where the break occurred on what would later appear to be an inconsequential point which would not carry conviction with our public opinion. I felt that Molotov must realize that we, for our part, would endeavor to end the discussion, if it had to break down, in a way which would carry conviction with our public opinion; Molotov was thus constantly manoeuvring to guard himself against being put in that position.

Bevin said that we ought not entirely to exclude the possibility of agreement. If Molotov after probing for our soft spots, saw that there were none, it was possible that he might receive instructions to agree as at the last moment he had agreed to the Italian treaty in New York last December after Mr. Byrnes had made it clear to him that no further concessions could be expected from the US. In any case it was essential to stand firm, and he favored the method of short answers on our part—"no comment on nonsense."

I agreed that if the Communist moves in France failed and the Interim Aid Bill went through Congress, the western powers would

enjoy a greatly increased momentum in this conference. Summing up, I said that my present inclination was at some carefully timed stage in the conference to specify certain steps which must be taken in order to adjust German economy, and if four power agreement on these steps could not be reached, then we should be obliged to take them on our own immediately. It was essential that the US and Great Britain should act together if this course was decided on.

Bevin said he would study the whole position in the next 12 or 24 hours.

4. *Palestine.*

[The remainder of this telegram reported on a portion of the conversation dealing with Palestine. Documentation on the Palestine question, including the portion of text omitted here, is included in volume V.]

MARSHALL

740.00119 Council/12-647: Telegram

The United States Delegation at the Council of Foreign Ministers to President Truman, the Acting Secretary of State, and Others

CONFIDENTIAL
URGENT

LONDON, December 6, 1947—7 p.m.

6358. Delsec 1528. For the President, Vandenberg, Connally, Eaton, Bloom and Lovett. 11th CFM meeting, December 6, Marshall presiding, reached an impasse over the order in which the items included in the general subject of economic principles of the German settlement would be considered by the Council. The US, UK and France supported the order of subjects contained in the British draft proposal on economic principles¹⁹ which was introduced in Moscow and accepted here by these three delegations as a basis for discussion. Molotov refused to accept the UK proposal as a basis for discussion and insisted on considering the various items in the order in which they were listed in a Moscow report of the deputies for Germany.²⁰ Both Marshall and Bevin sought to obtain from Molotov a comprehensive statement giving Soviet views on each specific problem involving economic principles for Germany. Bevin emphasized that the economic principles could not be dealt with piecemeal but must be considered as parts of a whole if the Council is to avoid wasting time. Unable to reach agree-

¹⁹ The reference here is to document CFM(47)(L)7, November 27, 1947, p. 779, which the British Delegation had previously circulated to the Council of Foreign Ministers at its Moscow Session as document CFM(47)(M)89, March 31, 1947.

²⁰ Molotov was here referring to document CFM(47)(M)148, April 23, 1947, p. 461.

ment on procedure during nearly two hours of discussion, the Council adjourned until Monday.

Repeated to Moscow, Paris, Berlin, Vienna, Rome.

740.00119 Council/12-847: Telegram

*The Secretary of State to the Acting Secretary of State*²¹

SECRET

LONDON, December 8, 1947—3 p.m.

Martel 44. For Lovett from Marshall. Last night Bevin and Hall-Patch and Bidault and Couve de Murville came in for dinner at the Embassy. There followed a lengthy discussion of what Molotov's present purpose was in the Council proceedings and what should be our procedure at the meeting today following the early adjournment Saturday because of a stalemate on procedure.

The issue Saturday²² was what document could be used as a basis for discussion of economic principles involved in unification of Germany. The British-Moscow proposal, a very complete paper, had been accepted by the French and ourselves as a good work paper to keep the discussion within bounds and Molotov had objected. His reasons remain in doubt. Some think he wished to continue the procedure of frustration while indulging in propaganda statements. Others feel that he probably was trying to drag into item three of the agenda the discussion of the Ruhr problem which now appears in item six, his objective being to capitalize on any differences between the French and the British and ourselves over the Ruhr settlement.

Bevin stated that the feeling of the British Parliament was such that it did not matter to him whether or not a breakdown of the Conference occurred over mere procedural matters or over matters of substance; that the members of the Parliament indicated their disgust at the spectacle of the futile and somewhat undignified proceedings of the past two weeks. Bidault largely concurred and expressed indifference as to how the break occurred. I stated that from the point of view of the American public opinion at the moment a break-off with the Soviets would be applauded but I thought that on sober reflection of the implications that view would change. Therefore to me it was important if a breakdown were to occur it be over matter of substance, that is, something of real importance and that along with it there be clear evidence that we had done our best to go ahead with the business. I had in mind that the final effort or gesture would be to ask for a closed session.

²¹ A copy of this telegram was transmitted to President Truman on December 9.

²² Reference to the 11th Meeting of the Council of Foreign Ministers, December 6; see telegram 6358, Delsec 1528, December 6, from London, *supra*.

All agreed that the discussion of the Ruhr problem at this stage of the Conference was undesirable. It was then agreed that Bidault as chairman and on my left today would state the situation of Saturday and ask if the Soviets had a complete paper to submit. If they did have such a paper ready, which seems quite unlikely, (and I have just this moment as I read this draft been told that they are submitting such a paper²³) we would then ask for a brief recess to compare the British paper and the Soviet paper to decide whether or not we should proceed on the basis of discussing them along parallel lines or if the Soviet paper, as is still more unlikely, was not filled with dangerous implications we might just take the paper, though this last was hardly the view of Bevin and Bidault. If no Soviet complete paper was forthcoming following Molotov's statement to that effect I would then open the general discussion by putting the question to Molotov regarding the 10 billion dollar demand for reparations with the following question as to how he expected the Germans to meet such a requirement and be able to establish self-supporting economy. Beyond that we could not go as the decision will depend entirely on the developments.

Bidault stated that he thought the British and Americans were unduly concerned over Molotov's propaganda leads to the German people. He felt they were unimportant, were unsuccessful and therefore should be treated accordingly. He stated that he felt more secure now in France than at any time since he had taken office over three years ago.

Bevin stated that he had talked until late the night before with various members of the British press to regulate their tone towards France which he thought had been unjustifiably sensational and he called attention to the better tone of the Sunday papers. He then turned to the matter of Greece and speaking offhand said that left wing members notably Seymour Cox had now turned on the Greek question in warm support of Bevin's position and wished to take strong action. He said he must await the US decision as to whether they would take a similar view, the implication being troops. I will have to talk to him later as it is a first indication of this character. I am rather inclined to think that its main purpose was to have US parallel the British troops in Greece rather than by more formidable procedure.²⁴

MARSHALL

²³ Reference to document CFM (47) (L) 22, December 8, 1947, p. 790.

²⁴ For additional documentation regarding the interest of the United States in the situation in Greece, see volume v.

740.00119 Council/12-847: Telegram

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

TOP SECRET

PARIS, December 8, 1947—4 p.m.

943. For the Secretary. In strictest confidence Chauvel said to me last night that in view of the Russian tactics at London the CFM meeting will probably end in complete deadlock. This in turn will mean that no decision will have been reached either between Russia and the other three powers or between the other three powers themselves on vital German questions. Chauvel said that regardless of the Russian attitude it is of paramount importance that France, Britain and the United States reach agreement on Germany.

With this in mind he feels very strongly that prior to the break-up of the London Conference, the Foreign Ministers of the three Western Powers should agree to continue the secret talks on the very issues which the London Foreign Ministers Conference is supposed to be considering. Chauvel said that while he realized it would be inexpedient for Secretary Marshall, Bevin and Bidault to continue such conversations after the Conference breaks up, they should agree on who would represent them, where such conversations should take place, and what subjects they should cover.

Chauvel's own thinking is that Washington is the best place since it is further removed and suggested the possibility that the British and French Ambassadors there, with one or two experts sent from London and Paris could be empowered to hold such discussions. He said that he had spoken to Bidault in this sense yesterday morning and that the latter agreed with the foregoing idea. He concluded by stating that if such talks can take place and decisions are reached, "real progress will have been made, for even if De Gaulle returns to power in the next several months he will not be able to undo agreements which have already been concluded."

Sent London as 943, repeated to Department as 5263.

CAFFERY

740.00119 Council/12-847: Telegram

The United States Delegation at the Council of Foreign Ministers to President Truman, the Acting Secretary of State, and Others

CONFIDENTIAL

LONDON, December 8, 1947—7 p.m.

6381. Delsec 1531. For the President, Vandenberg, Connally, Eaton, Bloom and Lovett. Twelfth CFM meeting, December 8, Bidault presiding, Lord Pakenham replacing Bevin who is ill.

Upon Marshall's suggestion, the Council adjourned for 30 minutes to permit study of a new Soviet proposal on economic principles for Germany.²⁵ Main points of the Soviet proposal are: (1) Reparations for the USSR will be fixed at 10 billion dollars, the Soviet Union to satisfy the reparation claims of Poland from its share and all reparations obligations are to be fulfilled by 1965; (2) the agreement on the economic unification of the US and UK Zones shall be deemed null and void as contravening the economic unity of Germany; (3) inter-zonal barriers shall be abolished and necessary facilities provided for the free flow of goods throughout Germany only after central German administrative agencies have been set up and procedure for the fulfilment by Germany of her reparation and other main obligations has been decided.

In a prepared statement,²⁶ Molotov attacked the European recovery program which he said was fraught with great dangers for the German people and the other nations of Europe. He charged that the US planned to set up a separate government for western Germany. He concluded by asking that the Soviet and UK proposals be accepted as the basis of the Council's discussion of economic principles for Germany.

When the Council reconvened, Marshall again asked Molotov whether the Soviet Union would oppose economic unity in Germany until the Council agreed that Germany should pay 10 billion dollars in reparations to the USSR. Molotov said agreement on reparations was not prerequisite to the economic unification of Germany but that both questions should be considered at the same time. Pakenham said the UK had never accepted the Soviet demand for 10 billion dollars in reparations from Germany and could not now consider such a demand. He pointed out that Molotov had acceded to the other ministers' requests and presented a comprehensive proposal on economic principles but had accompanied his new proposal with a shocking attack on the Western Powers which was not conducive to an atmosphere in which agreement could be reached. He added that the Soviet proposal contained numerous suggestions, such as those on reparations, which had been categorically rejected by Bevin numerous times.

The deadlock over procedure was ended when Molotov agreed to discuss the questions falling under the general problem of economic principles for Germany in the order in which they are listed in the British proposal.²⁷ Soviet suggestions which are not included in the

²⁵ Document CFM (47) (L) 22, December 8, 1947, p. 790.

²⁶ For the text of Molotov's statement, circulated to the Council as document CFM (47) (L) 23, December 8, see Molotov, *Problems of Foreign Policy*, pp. 525-530.

²⁷ Document CFM (47) (L) 7, November 27, 1947, p. 779.

UK list will be taken up at the end of the paragraph-by-paragraph discussion of the British document.

The Council opened its substantive discussion by considering the first paragraph of the UK document²⁸ which lists the general economic aims of the four controlling powers as regards Germany. The exchange of views revealed sufficient agreement to refer the paragraph to a drafting committee for completion.

The discussion was begun and will be continued tomorrow on the second paragraph of the UK draft dealing with the sharing between the controlling powers of the financial burden already incurred and which may be incurred by them in the future.²⁹

Repeated to Moscow, Paris, Berlin, Vienna, Rome.

740.00119 Council/12-947 : Telegram

The Secretary of State to the Acting Secretary of State

SECRET

LONDON, December 9, 1947—2 p.m.

Martel 52. For Lovett from Marshall. In yesterday's discussion³⁰ we came to a point in the British paper (which we were using) which deals with the sharing of deficits by the occupied powers and related subject of such past and future advances being the first charge on German exports. Molotov is attempting to utilize our position that these advances should be first charge on the balanced German economy as a greater burden and no better than reparations from current production.

General Clay tells me that in asking for appropriations to feed Germans in our zone, etc., the War Department has constantly assured Congress that these advances would be a charge against a future German Government for repayment. I would like to have your personal opinion, without however any discussion with members of Congress or others in Washington, as to whether in view of the development under the interim aid and ERP of the thesis of grants in aid without expectation of repayment for food and similar commodities whether the past and future advances to Germany will continue to be regarded as subject to repayment by the German Government or would be included in the category of grants in aid for which no payment would be expected.

I would like to have your views as soon as possible.

MARSHALL

²⁸ The reference is to paragraph 16 of CFM(47)(L)7.

²⁹ For the exchange of messages between the Secretary and the Acting Secretary on the question of the sharing of deficits by the occupying powers, see telegrams Martel 52, December 9, from London and Telmar 58, December 9, to London, immediately following.

³⁰ Reference to the Council of Foreign Ministers' 12th Meeting, December 8; see telegram 6381, Delsec 1531, December 8, from London, *supra*.

740.00119 Council/12-947 : Telegram

The Acting Secretary of State to the Secretary of State, at London

SECRET

WASHINGTON, December 9, 1947—7 p.m.

Telmar 58. For Secretary Marshall from Lovett. Re Martel 52, December 9.³¹ All statements to Congress re appropriations for Germany, including Royall's yesterday, have asserted intention of requiring repayment as first charge. It is expected that aid to Germany under ERP will not be grant but will be a claim against German economy to be settled from excess of exports or in peace treaty. Some repayment may be possible, particularly because of absence of German foreign debt, assuming no other claims are given priority. However, more important is value of this claim in treaty negotiations as basis for keeping other claims down.

Germany was enemy and we cannot make grants while using loan procedure with former allies. We would have difficulty justifying appropriations for Germany if result was to make possible payment current reparations to Russia.

LOVETT

740.00119 Council/12-947 : Telegram

The United States Delegation at the Council of Foreign Ministers to President Truman, the Acting Secretary of State, and Others

CONFIDENTIAL

LONDON, December 9, 1947—8 p.m.

URGENT

6402. Delsec 1534. For the President, Vandenberg, Connally, Eaton, Bloom and Lovett. Thirteenth CFM meeting, December 9, Bevin presiding, continued the discussion of economic principles for Germany.³² After an exchange of views, Molotov proposed and the Council agreed to postpone consideration of the UK suggestion³³ that the controlling powers of Germany share equitably the financial burden already incurred and which may be incurred by them in the future in Germany.

Marshall supported the British suggestion that all restrictions on the movement of goods between the different zones of Germany be abolished and that the resources of each part of Germany and all goods imported into Germany should be used for the benefit of the country as a whole.³⁴ Molotov said the creation of central administrative agencies and the setting up of procedure for the fulfillment by Germany of its reparations and other main obligations must be decided simultaneously

³¹ *Supra*.

³² Document CFM (47) (L) 7, November 27, 1947, p. 779.

³³ CFM (47) (L) 7, paragraph 17.

³⁴ *Ibid.*, paragraph 18.

with the decision of the free movement of goods throughout Germany. He blamed on inaccurate translation the belief of the other delegations that he had made his decision on the free movement of German goods conditional on the acceptance of the two other actions. Marshall said the German reparations question was decided at Potsdam and that he did not know of any additional procedures necessary to the fulfillment by Germany of its reparations obligations. Bidault again asked Molotov for the Soviet position on the Saar and when Molotov said this could be discussed later, Bidault indicated he would continue to reserve his position on the creation of central administrative agencies for Germany.

Since full agreement was not possible, discussion turned to the proposal for a common export-import program for Germany³⁵ which was accepted in principle. This program would allow for the equitable distribution of indigenous resources throughout Germany and would be designed to achieve as soon as possible sufficient balance of exports over imports. It would take into account the need to increase Germany's peace-time production.

The Ministers discussed the repayment of money advanced by the controlling powers to pay for imports required by the German people.³⁶ Marshall and Bevin agreed that repayment of this money should be the first charge on Germany's foreign exchange resources after its essential needs have been met. They also agreed that the value of all exports or proceeds of exports which have been received by the occupying powers from German current production and stock, whether or not these exports were taken as reparations, will be credited to the German account when the computation is made of the sum to be repaid. Molotov made several allegations which were refuted by Bevin and Marshall, concerning the price of German coal exports. The Council adjourned without resolving differences over the "first charge" proposal.

Repeated to Moscow, Paris, Berlin, Vienna, Rome.

CFM Files : Lot M-88 : Box 75 : Austria 1947

Memorandum of Conversation, by the Assistant Chief of the Division of Central European Affairs (Williamson)

SECRET

[LONDON,] December 10, 1947

Dr. Gruber called at my room at 11:00 p.m. last night and, in a highly impassioned manner, complained about the lack of progress on the Austrian treaty at the CFM. He stated that if nothing more were

³⁵ Document CFM (47) (L) 7, November 27, 1947, p. 779, paragraph 19.

³⁶ *Ibid.*, paragraph 20.

done about the treaty the political situation in Austria would assume critical proportions. Dr. Gruber's argument was that the basic requirement is the withdrawal of the occupation forces and the establishment of national control by the Austrian Government over its independent life. A continuation of military occupation, in his view, will inevitably lead to the imposition by the Soviets of such measures as the recent licensing system for goods exported from eastern Austria. Dr. Gruber stated that this amounts, in effect, to a partition of Austria and that such a development must be prevented at all costs.

He stated that he was prepared to tell the Austrian people that military occupation will continue provided he knows why it will continue and what hope might be held for a future settlement. He stated that the withdrawal of forces prior to the conclusion of the treaty would be acceptable to him since the Austrians could take care of any possible Yugoslav threat and could deal with the USIVA firms in eastern Austria.

When asked for specific recommendations as to what might be done at this session of the CFM, Dr. Gruber proposed the following:

1. A secret session of the CFM to discuss the Austrian treaty and to obtain from the Soviets a definite proposal for settlement on the German assets question.
2. A special meeting of the CFM devoted entirely to the Austrian question in order that it may be decided on its merits rather than in relation to German policy.
3. A tripartite announcement of a conditional renunciation of claims to the assets in the western zones which could be published at the termination of this session.

At this point he did not specifically recommend that an offer be made to withdraw occupation forces pending the conclusion of a treaty. Dr. Gruber believed that such a program could be popularized in Austria since it would give the Austrian people hope that the western states are interested in them specifically and that the western policy of pushing for a treaty settlement will be carried out to its logical conclusion.

Throughout the conversation Dr. Gruber did not specifically state that a bilateral settlement would be sought with the Soviets on the German assets question, but the entire tenor of his remarks indicated that he is again considering this possibility in the event of a failure either to get a treaty or some concrete proposal for a further consideration of the Austrian question.

FRANCIS T. WILLIAMSON

740.00119 Council/12-1047: Telegram

The United States Delegation at the Council of Foreign Ministers to President Truman, the Acting Secretary of State, and Others

CONFIDENTIAL
URGENT

LONDON, December 10, 1947—8 p.m.

6421. Delsec 1538. For the President, Vandenberg, Connally, Eaton, Bloom and Lovett. Fourteenth CFM meeting, December 10, Molotov presiding. The exchange of views on economic principles for Germany was continued.

Molotov agreed with Bevin and Marshall that sums advanced by the controlling powers to pay for required imports for the German people should be repaid by the Germans and would be a first charge on Germany's foreign exchange resources after its essential needs have been met.³⁷

Molotov agreed with Marshall and Bevin that external occupation costs should be regarded as debts due from Germany to the controlling powers but he did not favor the repayment of these debts prior to the repayment of the advances made by the controlling powers to pay for imports required by the German people during the occupation period.³⁸ Bevin and Marshall insisted on maintaining prior payment of advances for imports. Bidault indicated he would accept any agreement on this question acceptable to the other Ministers. The question was passed over when no agreement was reached. Marshall and Bevin agreed that until Germany has attained a balanced economy and paid the occupation costs, it should not be called upon to make any reparation deliveries from current production or stocks.³⁹ Molotov asked that this suggestion be considered when the Ministers discuss reparations. Marshall reaffirmed his opposition to the payment by Germany of reparations from current production. He said the US is not prepared to agree to any program of reparations from current production as a price for the unification of Germany. He asked the Council to decide that from January 1948 nothing shall be taken out of Germany except for fair economic value in money or goods which can be immediately used to sustain the German economy. The CFM decision would stand until further action by the Council or pursuant to a peace treaty but would not apply to agreed reparation deliveries in capital goods. He asked Molotov to reply immediately but Molotov declined until the Council considered the question of reparations.⁴⁰ Bevin said he could

³⁷ Under discussion at this point was document CFM(47)(L)7, November 27, 1947, paragraph 20, pp. 779, 786.

³⁸ *Ibid.*, paragraph 21.

³⁹ Under discussion was *ibid.*, paragraph 22.

⁴⁰ For the text of the Secretary of State's statement summarized here, see *Germany 1947-1949*, pp. 410-411 or Department of State *Bulletin*, December 21, 1947, pp. 1204-1205.

not agree to the payment of reparations from current German production taking priority over repayment of money already spent by the occupying powers in Germany since the end of the war to keep Germans from starving.

The Council postponed further discussion of this question until German reparations are discussed.

Bevin, Marshall and Bidault accepted a proposal ⁴¹ that the acquisition of any interest in an enterprise in Germany by any foreign power or its nationals after May 8, 1945, shall only be valid if approved by the Allied Control Council. Molotov proposed two amendments, both of which were rejected by Bevin, and no agreement was reached.

Differences also arose over a clause ⁴² placing under German law all property, rights and interests in Germany owned or acquired by a foreign power or its nationals and requiring that these properties remain a part of the economic resources of Germany. Molotov maintained his objection to the second part of this clause despite Bevin's strong support of it.

Marshall suggested that a UK proposal ⁴³ concerning a future financial reform program for Germany be replaced by a CFM decision to adopt financial reforms for Germany by March 1948 and to implement them immediately thereafter. He said a reform program was necessary to the economic rehabilitation of Germany. Bidault supported Marshall's proposal and Molotov supported the British plan. Bevin said he would accept the Marshall proposal to speed up German financial reforms but Molotov saw in the US proposal a way of permitting unilateral action which he accused the US of planning to take. Marshall categorically denied Molotov's intimation that the US had decided to issue new German currency in its zone. He said his amendment aimed at bringing about as quickly as possible financial reform for all of Germany.

The Council accepted in principle a clause ⁴⁴ instructing the appropriate German authorities to draft for the approval of the Control Council proposals in regard to the breaking up of concentrations of German economic power provided the proposals adopted represent the free choice of the German people.

Bidault, Molotov and Marshall accepted a French proposal ⁴⁵ to reinforce Allied control thru the Control Council over (1) the distribution of coal, power and steel and their utilization in Germany and (2) the amount of exports of German products of key importance to Euro-

⁴¹ CFM (47) (L) 7, paragraph 23.

⁴² *Ibid.*, paragraph 24.

⁴³ *Ibid.*, paragraph 25.

⁴⁴ *Ibid.*, paragraph 26.

⁴⁵ For the text of the French proposal under reference, see footnote 87 to CFM (47) (L) 7, p. 787.

pean recovery such as coal and coke. Further discussion of this proposal was postponed until tomorrow when Bevin reserved his position.

Repeated Moscow, Paris, Berlin, Vienna, Rome.

111.11 Marshall, George C./12-1147 : Telegram

The Acting Secretary of State to the Secretary of State, at London

CONFIDENTIAL

WASHINGTON, December 11, 1947—5 p.m.

Telmar 68. Personal for the Secretary from Lovett. The President today asked me to pass the following personal message to you:

"Your firm and constructive actions in London have my complete support. We are all with you. Warm regards. Harry Truman."

LOVETT

740.00119 Council/12-1147 : Telegram

The Secretary of State to the Acting Secretary of State

SECRET

LONDON, December 11, 1947.

URGENT

Martel 62. Personal for Lovett from Marshall. Regarding Douglas (Telmar 58).⁴⁶

The situation here is exceedingly critical and Douglas is invaluable, practically irreplaceable, in keeping me in team with Bevin and the British and vice versa. He also serves somewhat the same purpose regarding Bidault. We are involved now in very delicate maneuvers against Molotov's evident purpose to secure agreements of a character which would appear well to the public but would permit most serious frustration of what must be done in Germany in connection with ERP. For example, there is a chance that he will come forward with a very important reparations statement today and we have, especially in view of British successful trade agreement with Russia,⁴⁷ a feeling of some doubt as to how firm the British will be maintaining the front we have so far been able to present to Molotov's efforts of infiltration. The issue appears to be whether Douglas will serve a more vital purpose for you than he is serving at the moment for me.

Yesterday he and I considered the possibility of his departure Monday⁴⁸ next. This morning in view of developments at the conference

⁴⁶ The reference here is presumably to telegram Telmar 52, December 8, to London, not printed, which dealt with new high-level overseas assignments. Ambassador Douglas' name had been one of several mentioned (123 Dulles, Allen W.).

⁴⁷ The reference here presumably to the agreement between the United Kingdom and the Soviet Union on questions on trade and finance, signed in Moscow on December 27, 1947.

⁴⁸ December 15.

yesterday and present developments today, we both felt that it would be a very serious matter to him to be absent during these critical developments.

I have stated the situation here; you are aware of the situation there. I do not want to embarrass you by my statements of conditions here. I want you to merely judge the matter as you see it and your decision will be acceptable to me. In the foregoing, I have indicated somewhat the crisis through which we are passing.

It is plainly evident that Molotov is not only playing for time but is consistently, almost desperately, endeavoring to reach agreements which really would be an embarrassment to us in the next four to six months rather than true evidence of getting together. We must be exceedingly careful in what we say and what we do and it is going to be exceedingly difficult to have our actions understood by the American public and the British public if Molotov can possibly arrange it so.

I repeat again please be sure that the President sees the important papers, records of interviews, et cetera, that are going to you from here.

MARSHALL

740.00119 Council/12-1147: Telegram

The United States Delegation at the Council of Foreign Ministers to President Truman, the Acting Secretary of State, and Others

CONFIDENTIAL

LONDON, December 11—[7 p.m.]

URGENT

6443. Delsec 1542. For the President, Vandenberg, Connally, Eaton, Bloom and Lovett. Fifteenth CFM meeting, December 11, Marshall presiding.

The Council accepted the proposal⁴⁹ discussed yesterday involving the breaking up of German cartels and other monopolistic arrangements. It also accepted in principle a proposal⁵⁰ to institute greater Allied control through the Control Council over the distribution of coal, power and steel and their utilization in Germany as well as the amounts shipped abroad.

The Council agreed to revise the level of German peaceful industry adopted in March 1946 so as to meet both the needs of security and the needs of the German economy. Germany will be left with sufficient capacity to produce eventually 11,500,000 tons of steel yearly.⁵¹

⁴⁹ CFM (47) (L) 7, November 27, 1947, paragraph 26 and the proposed United States amendment thereto, p. 787.

⁵⁰ The reference here is to a new paragraph 26 (*bis*) proposed by the French Delegation; see footnote 87, p. 787.

⁵¹ CFM (47) (L) 7, paragraph 27.

Bidault proposed⁵² and Bevin and Marshall agreed that the rehabilitation of German industry be regulated in such a way as to prevent its revival at a rate faster than that of the economic reconstruction of other democratic countries in Europe. Molotov agreed to study the proposal.

The Council referred to a drafting committee for further study a proposed directive to the Allied Control Council to make by March 1948 a fresh determination of German industrial plants and equipment which are to be removed as reparations.⁵³

The Council discussed a proposal⁵⁴ that the delivery of plants and equipment to be removed from Germany should be hastened; that the final list of plants and equipment to be removed should be issued by the Control Council not later than April 1948 and that the ACC should hasten the valuation, allocation, dismantling and delivery of capital equipment. Differences arose over a definite date when the removal would have to be completed and further discussion was postponed until tomorrow.

Repeated to Paris, Berlin, Vienna, Rome, Moscow.

740.00119 Council/12-1247 : Telegram

The United States Delegation at the Council of Foreign Ministers to President Truman, the Acting Secretary of State, and Others

CONFIDENTIAL
URGENT

LONDON, December 12, 1947—7 p.m.

6457. Delsec 1543. For the President, Vandenberg, Connally, Eaton, Bloom, and Lovett. Sixteenth CFM meeting, December 12, Bidault presiding, discussed a proposal⁵⁵ that each occupying power provide the Council with information on the type and amount of reparation removals from its zone up to the present. Marshall suggested that this information be furnished to the Council by next Monday. Molotov sought to amend the proposal so as to make the furnishing of information conditional on reaching a general agreement on reparations. He renewed his accusations that the western powers had taken profits out of their zones. Bevin reacted strongly to these charges and again cate-

⁵² Foreign Minister Bidault proposed the following new text for paragraph 28 of CFM (47) (L) 7:

"The increase of German industrial activity shall be carried out progressively in such a way that the reconstruction of Germany does not enjoy priority over the reconstruction of the democratic countries of Europe."

⁵³ Under reference here was paragraph 29 of CFM (47) (L) 7 and a French counter-proposal.

⁵⁴ CFM (47) (L) 7, paragraph 30.

⁵⁵ Paragraph 31 of document CFM (47) (L) 7, November 27, 1947, p. 788.

gorically denied them. Both he and Marshall offered to provide the information⁵⁶ on reparation removals from their zones at once and pressed Molotov to reveal what the USSR has taken as reparations from the Soviet zone. Molotov said he would answer when he discussed reparations.

Molotov reintroduced a Soviet proposal⁵⁷ that the Ruhr industrial region should be placed under the joint control of the four powers, but the proposal was not accepted. Molotov then asked the Council to nullify, as contravening the economic unity of Germany, the agreement unifying economically the US and UK zones.⁵⁸ Marshall categorically denied Molotov's charge that there exists a plan to unite the French, US, and UK zones. He added that the US-UK fusion agreement would be ended when full four power agreement is reached on the economic unity of Germany, including all phases of reparations.⁵⁹ Bevin again said the US and UK zones were fused because the Potsdam plan for economic unity had not been carried out and that he would be the first to agree to end the fusion if the Council reached full agreement on economic principles for Germany. Bidault denied there is a plan to combine the French zone with the US and UK zones.

Molotov raised the question of reparations from Germany⁶⁰ and accused the western powers of denying to the USSR the amount of reparations which had been promised in previous agreements. In a long statement,⁶¹ he charged among many other things that the western powers are hindering the economic revival of Germany and that reparations from current production could be paid to the Soviet Union if German industry were allowed to produce without hindrances. His attack was directed mainly against the US, which he said was trying not only to enslave Germany by furnishing economic aid but also to make of Germany a strategic base against the democratic states of Europe.

Marshall said it was evident that Molotov's remarks were not intended to be used as a basis for Council discussion but were intended solely for propaganda purposes. He said Molotov's speech, considering that it was given before the Council of Foreign Ministers, reflected on the dignity of the Government of the Soviet Union.

⁵⁶ For Secretary Marshall's reaction to Molotov's accusations, see telegram 6458, Delsec 1545, December 12, *infra*.

⁵⁷ Paragraph 4 of document CFM(47) (5)22, December 8, 1947, p. 790.

⁵⁸ CFM(47) (L)22, paragraph 8.

⁵⁹ For a further report on the exchange between Secretary Marshall and Molotov on this matter, see telegram 6458, Delsec 1545, *infra*.

⁶⁰ Part II of CFM(47) (L)22.

⁶¹ For the text of Molotov's statement, circulated to the Council as document CFM(47) (L)31, December 12, see Molotov, *Problems of Foreign Policy*, pp. 531-540 or *Documents on International Affairs, 1947-1948*, pp. 515-521.

Bevin said Molotov's insults would be resented throughout the British Commonwealth. He added that Molotov could at least have ended his speech by thanking his colleagues for listening to the end. Bidault said Molotov's charges against France were contrary to the fact and adjourned the Council until tomorrow.

Repeated to Moscow, Paris, Berlin, Vienna, Rome.

740.00119 Council/12-1247 : Telegram

The United States Delegation at the Council of Foreign Ministers to the Department of State

LONDON, [December 12, 1947.]

6458. Delsec 1545. For Lincoln White and Stone from McDermott. Following Secretary's remarks at CFM today: ⁶²

First, in reply to Molotov's request for information by Monday on many German enterprises bought by Americans, and information as to profits made by sale of coal and timber: Answering Mr. Molotov's questions, we have no properties secured by private interests in the US Zone, or by the US Government. There have been no profits on coal or timber that have not been returned directly to the German economy. To be very exact in this matter I will submit tomorrow in writing this statement,⁶³ so that there can be no misunderstanding about it, and the Soviet delegation will be permitted to see it.

Second, Molotov said he knew there was plan for French Zone to fuse with UK-US, that main role would be played by US, to which Secretary replied "Anent the economic unification of Britain and America [apparent omission] that would merely create four barriers instead of three. This certainly would not promote German unification. With reference to Molotov's comment on understanding of plan for tri-zone agreement, which would include French Government with British and US Governments, I categorically deny that; there is no such plan, tentative or otherwise" and referred to preamble and paragraph 12 of agreement signed in New York December 2, by Bevin and Byrnes.⁶⁴ Molotov replied it is difficult to deny that existence of separate agreement for fusion is main difficulty in unification. Secretary said "I think it is difficult to deny a condition which does not exist at all except in way of perversion and deliberate misconstruction such

⁶² For the summary report on this Council meeting, see *supra*.

⁶³ For the text of the statement by the United States Delegation under reference here, circulated to the Council as document CFM(47) (L)32, December 13, 1947, see Department of State *Bulletin*, December 21, 1947, p. 1205 or *Documents on International Affairs, 1947-1948*, pp. 521-522.

⁶⁴ For text, see Department of State *Treaties and Other International Acts Series 1575 or Germany 1947-1949*, pp. 450-453.

as has been the case in regard to this perfectly reasonable and unavoidable bizonal agreement”.

Third, Molotov delivered long statement which he repeated USSR charges made in ACC on conditions in Bizonia as affecting reparations, German expansionist policies, coal prices, etc., to which Secretary replied: “I think it is evident that Mr. Molotov’s remarks were not designed for serious discussion at this stage. It is evident that they were intended for another audience and for quite another purpose. In the circumstances, I have no comment to make on such a pure propaganda statement, but I would add this: Considering the purpose for which and the circumstances in which we are gathered here, and considering the position we occupy in our respective governments, I think Mr. Molotov must recognize that such a method of procedure makes it rather difficult to inspire respect for the dignity of the Soviet Government”.

740.00119 Council/12-1347: Telegram

*The Secretary of State to the Acting Secretary of State*⁶⁵

TOP SECRET

LONDON, [December 13, 1947.]

URGENT

Martel 77. For Lovett eyes only. Please convey to the President for his information only the following estimate of the conference situation as it exists today.

Today’s meeting was postponed until Monday⁶⁶ at the suggestion of Mr. Bevin, who had been chairman, and concurred in by the French and U.S. delegations in order to have sufficient time to examine all the implications of the situation produced by Molotov’s position yesterday on reparations.

No decision has been reached as to the exact method of procedure in regard to the conference, but over the weekend there will be informal contacts with the British and French delegations in order to ascertain what their views are as to the future work of the conference.

At the moment Bidault’s position seems to be that it is preferable that if Molotov maintains his present recalcitrant position, to adjourn the conference without discussing the remaining items on the agenda. Bevin’s position, although not quite so clear as Bidault’s, is inclined to this course of action. The views of both, however, will be clarified during the next day or two.

The present Soviet position obviously renders any possibility of achieving an agreement for the economic unity of Germany impossible.

⁶⁵ This message was sent to President Truman on December 13.

⁶⁶ December 15.

I have consistently taken the position at the conference that without the necessary fundamental agreement by the occupying powers effectively to remove the barriers that they themselves have created to German economic unity and promptly to put into effect measures essential to attainment of German economic unity, establishment—even discussion of the establishment—of a German Government or other related matters is entirely unreal.

Over the weekend, therefore, we intend to discuss whether or not in the circumstances there is any point in engaging in futile discussions on the remaining items on the agenda in view of the complete deadlock on economic unity. Such latter discussions would serve no constructive purpose and would merely provide endless opportunities for propaganda to Molotov and would, furthermore, probably reveal considerable divergence between the French point of view on the one hand and the British and American on the other concerning political organization and the question of the Ruhr.

We have not yet reached any decision in the delegation as to what course of action will be pursued at Monday's meeting, but after the weekend discussions we shall decide on Monday morning before the meeting.

I am sending this to you for the President so that he will have our estimate of the situation as of this moment, as there will certainly be a welter of newspaper speculation over the weekend.

MARSHALL

740.00119 Council/12-1547 : Telegram

The United States Delegation at the Council of Foreign Ministers to President Truman, the Acting Secretary of State, and Others

CONFIDENTIAL
URGENT

LONDON, December 15, 1947—8 p.m.

6479. Delsec 1548. For the President, Vandenberg, Connally, Eaton, Bloom, and Lovett. Seventeenth and final CFM meeting, December 15, Bevin presiding.

Molotov asked the Council to hear representatives of the German People's Congress as spokesmen for the German people.⁶⁷ Marshall, Bidault, and Bevin opposed this suggestion on the ground that the Congress is not representative of political opinion in Germany.

Marshall said the US delegation came to this session of the Council hopeful (1) of reaching a general settlement to end the division of

⁶⁷ Regarding the so-called "German Peoples Congress" held in Berlin, December 6 and 7, see telegrams 3679, December 6 and 3721, December 12, from Berlin, pp. 901 and 903.

Germany, and (2) of obtaining a treaty reestablishing the independence of Austria. He added that Molotov's statement of Friday on reparations was not acceptable to the US delegation.⁶⁸

Bidault denied Molotov's charge that the western powers had proposed the termination of all reparation payments by Germany to the Soviet Union. He proposed that experts study whether and how much reparations from current production could be paid by Germany. Molotov renewed his proposal for reparations from current German production and the fixing of the amount of reparations to be paid by Germany to the USSR at ten billion dollars.

Bevin said Molotov was insisting on an agreement on reparations as a condition to any general settlement on Germany and Austria. He summarized the issues on which Molotov is blocking agreement, adding that all the Council is getting from Molotov is accusations. He said the UK had never agreed to the payment to the USSR of reparations from the current German production of the western zones. He said he could only conclude that Molotov's attacks are intended to make as difficult as possible relations between the members of the Council. He outlined the kind of a German settlement the UK wants, adding that if agreement were impossible, it would be a great disappointment to him because he was here to make peace, not propaganda. He said the experiences at the Council session had led him to wonder whether the CFM is a body which can ever reach a settlement of the German and the European problem.

Marshall reviewed the present status of the Council's work (see Delsec 1549 for text ⁶⁹), including Soviet blocking of an agreement on an Austrian treaty, and the Soviet position making agreement on basic German questions possible only on terms which would enslave the German people and retard European recovery. He suggested that the Council adjourn without discussing the remaining items on its agenda since no real progress could be made because of Soviet's obstructionism.

Molotov denied any responsibility for the impasse and repeated earlier charges against the western powers. He accused Marshall of asking for adjournment of the Council in order to give the US a free hand to do as it pleased in its zone of Germany.

Bidault said the Council had met for three weeks and accomplished practically nothing. He said it should adjourn rather than further aggravate relations between the Four Powers.

⁶⁸ For the text of Secretary Marshall's statement summarized here, see *Germany 1947-1949*, p. 193 or Department of State *Bulletin*, December 28, 1947, p. 1247.

⁶⁹ Telegram 6485, Delsec 1549, December 15, from London, under reference here, is not printed. For the text of Secretary Marshall's statement, see *Germany 1947-1949*, pp. 193-195 or Department of State *Bulletin*, December 28, 1947, pp. 1247-1249.

The Council agreed to refer the Austrian treaty to the deputies for Austria to examine any new proposals for a settlement.⁷⁰

Molotov said he had no objection and the Council adjourned without fixing the date of its next session. Both Marshall and Bevin expressed the hope that the next session would be held in a better atmosphere.

Repeated to Moscow, Paris, Berlin, Vienna, Rome.

C. COUNCIL DOCUMENTS AND SUPPLEMENTARY PAPERS

1. The German Peace Settlement

740.00119 Control (Germany)/11-2647

Memorandum of Conversation, by the Acting Secretary of State

CONFIDENTIAL

[WASHINGTON,] November 26, 1947.

Participants: The Acting Secretary, Mr. Lovett
The Netherlands Ambassador, Mr. Van Kleffens
The Belgian Ambassador, Baron Silvercruys
Mr. Nolting—NOE

On behalf of the three Benelux countries, Belgium, The Netherlands and Luxembourg, The Netherlands and Belgian Ambassadors called on me and delivered copies of a joint note from the three governments which was transmitted simultaneously to the Council of Foreign Ministers in London.⁷¹ The note set forth their governments' views concerning the German settlement.

In the course of conversation, Mr. Van Kleffens and Baron Silvercruys made the following points:

Their governments and the Luxembourg Government had on several previous occasions expressed their views regarding the German settlement, but had not received definite replies to these previous communications. They were, therefore, again bringing to the attention of the Council of Foreign Ministers their views in the hope that they could contribute not only to the solution of the German problem, but to the solution of the Western European problem as a whole.

⁷⁰ In accordance with this decision by the Council of Foreign Ministers, the Deputies for Austria met on December 17, 1947, to resume their discussion of the unagreed items of the draft Austrian treaty. No progress was made. According to telegram 6540, Delsec 1552, December 18, from London, not printed, reporting on the meeting, the Deputies agreed to meet next in London no later than February 1, 1948, the exact date to be determined by the chairman at that meeting (the United States Deputy) within five days following receipt by him from the international secretariat of the Council of Foreign Ministers of a new Soviet proposal on aspects of the German assets problem in Austria (740.00119 Council/12-1847).

⁷¹ The joint note under reference here was circulated to the Council of Foreign Ministers as document CFM(47) (L) 5, November 26, 1947, *infra*.

Mr. Van Kleffens pointed out the dependence of the recovery programs in the three Benelux countries upon the economic revival of Germany. He emphasized the vital importance to the Low Countries of their prewar transit trade with Germany and of the exchange of goods with Germany for processing.

Mr. Van Kleffens and Baron Silvercruids further pointed out that in the opinion of their governments the Benelux countries could be of real help to the occupying powers, because of their long and intimate relations with Germany, if they were given a voice in the councils concerning Germany.

I replied that the views of the Benelux countries regarding Germany were of real interest to the US Government; that with regard to certain specific problems which the Low Countries had raised (e.g. the question of routing some of the supplies imported into Germany through the ports of Rotterdam and Antwerp), the views of the Department were already known to the governments concerned. I further pointed out that the Office of Military Government was operating under a set of regulations, and under a budget, which did not encourage OMGUS to exercise any great amount of flexibility in its decisions; that the military government officials were concerned to operate the US Zone in Germany, and now the British and American Zones jointly, as economically as possible in order to avoid further excessive burdens upon the US taxpayer; that this consideration, plus their difficulties in maintaining the "disease and unrest" formula, was in my view an explanation, if not a justification, of what might appear to be an excessively rigid policy. I further pointed out that proposals concerning Germany as a whole could not be adopted by this government, however sound we might consider them, in the absence of a unified point of view among the four occupying powers. Nevertheless, I said that I thought the specific points raised by the Ambassadors were points which might profitably be discussed during the meeting of the CFM in London.

The Belgian Ambassador then presented another note transmitting a joint study of the Benelux countries concerning possible means for obtaining convertibility of various western European currencies.⁷² He described this study as one which the US Government might find useful in connection with the long-range plan for European recovery. He said that the Belgian government, for example, would find it increasingly difficult to carry on trade with other European countries having unstable and nonconvertible currencies if some means for converting such currencies were not soon devised.

⁷² Not printed.

I replied that this subject was of particular interest to me, in as much as I had been working on such a plan and had discussed it with various representatives of the CEEC nations.⁷³ I remarked that I had had difficulty in selling my plan to these representatives. I informed the Ambassadors that I would be much interested in studying these proposals.

I asked Mr. Nolting to study the memorandum concerning Germany and to formulate some views on this matter for possible transmission to our Delegation in London.

At the close of the conference, the Ambassadors handed to representatives of the press copies of the note concerning Germany.

ROBERT A. LOVETT

CFM Files : Lot M-88 : Box 86 : CFM (47) (L) Documents

*Joint Note of the Belgian, Netherlands and Luxembourg Governments on Allied Policy With Regard to Germany, November 26, 1947*⁷⁴

1. The Governments of the Netherlands, Belgium and Luxemburg have been invited in the beginning of this year to communicate their views on the future status of Germany to the Deputy Members of the Council of Ministers of Foreign Affairs.

To this end they have submitted the following Memoranda :

MEMORANDA SUBMITTED BY THE NETHERLANDS GOVERNMENT

November 5, 1946—Memorandum of the Netherlands Government concerning the territorial and economic claims of the Netherlands in respect to Germany;⁷⁵

January 14, 1947—Memorandum of the Netherlands Government on Allied policy with regard to Germany;⁷⁶

January 25, 1947—Additional Memorandum of the Netherlands Government with regard to the demarcation of the future Netherlands-German frontier and related problems.⁷⁸

MEMORANDA SUBMITTED BY THE BELGIAN GOVERNMENT

November 14, 1946—Memorandum of the Belgian Government concerning a rectification of the German-Belgian frontier;⁷⁷

⁷³ The reference here is to conversations held in Washington in October and early November 1947 between American officials and a delegation of the Committee of European Economic Co-operation. The question of currency convertibility was considered in the course of these discussions. For documentation regarding these Washington conversations, see volume III.

⁷⁴ This joint note, copies of which were submitted to the Council of Foreign Ministers by the Netherlands Ambassador in London on November 26, 1947, was circulated to the Council as document CFM (47) (L) 5, November 26, 1947.

⁷⁵ *Foreign Relations*, 1946, vol. II, p. 1016.

⁷⁶ The substance of the views of the Netherlands Government on Germany as set forth in formal papers and oral statements to the Deputies for Germany during their meetings in London, January 14–February 25, 1947 is included in the Report by the Deputies to the Council of Foreign Ministers, February 25, 1947, pp. 40, 50.

⁷⁷ *Foreign Relations*, 1946, vol. II, p. 1162.

January 17, 1947—Memorandum of the Belgian Government relating to the Belgian claims with regard to Germany; ⁷⁸

January 17, 1947—Views of the Belgian Government on the policy of the Allied Powers with regard to Germany; ⁷⁸

MEMORANDUM SUBMITTED BY THE LUXEMBURG GOVERNMENT ⁷⁹

February 1, 1947—Memorandum on:

- a) The policy of the Allied Powers with regard to Germany;
- b) The Luxemburg claims with regard to Germany;
- c) Annex. Memorandum of November 27, 1946.

In addition to the above, the Representatives of the aforementioned Governments orally developed the views of their respective Governments, in the course of January and February, 1947, at the same time giving the explanations they had been asked for.

Finally, the three Governments collaborated in drawing up Appendix B, relating to the German problems, annexed to the General Report of the Commission on European Economic Co-operation which met in Paris in July, August and September, 1947.⁸⁰

The Council of Ministers of Foreign Affairs has decided to meet in London on November 25, 1947, with a view to settle pending questions with regard to the future of Germany and the treaty of peace ultimately to be concluded with that country.

The Governments of the aforementioned three countries were not invited on this occasion to formulate their views again. They, nevertheless, feel that the geographical proximity of their territories to that of Germany, the fact that their economic interests are entwined with those of that country, the close relation between their security and the political regime in Germany, and finally, the experience they have gained in their relations with that country, would justify them in putting forward the following observations on the questions which will be examined by the Council of Ministers of Foreign Affairs of the Great Powers.

2. Although in the aforementioned Memoranda each of the three Governments formulated its views on the German problem in a different way, it is worth noting that these documents prove to have certain fundamental conceptions in common. These may be summarized as follows:

They do not aim at attaining their security, with regard to Germany, through a large scale reduction of the German economic capacity ex-

⁷⁸ As in the case of the Netherlands Government (footnote 76 above), the views presented to the Deputies for Germany by the Belgian Government were summarized in Report by the Deputies to the Council, February 25, pp. 40, 42.

⁷⁹ The substance of the views of the Luxembourg Government are also summarized in the Report by the Deputies to the Council.

⁸⁰ *Committee of European Economic Co-operation*, volume I, *General Report*, Paris, September 21, 1947, Department of State Publication 2930, European Series 28, p. 69.

cept for such machinery or material as is typically destructive, the production of which should be forbidden. Apart from the fact that such a reduction probably would prove to be a fiction, that it would seriously impair the economy of the aforementioned countries, and not less that of Europe at large, of which the German economy has always been a principal factor, it will be advisable to leave the Germans, now that they have been deprived of their political ambitions, such scope of activity as would provide them a satisfactory level of material life as well as hopeful prospects.

The economic unity of the German territory, in other words, the removal of artificial restrictions on the free movement of persons, commercial and financial traffic in this territory, is a primary condition for the economic rehabilitation of Germany.

It will be necessary, however, to obtain guaranties against such use of economic power—possibly resulting from the suggested easing of restrictions—as might be a threat to the political equilibrium of Europe and impair the security of Germany's neighbors. To achieve this end, the following measures have been recommended:

a) the gradual restoration of autonomy and political responsibility in Germany within the framework of a federal constitution;

b) control of the whole German economy with a view to ensure the disarmament and demilitarization of the Reich in accordance with the plan proposed by Mr. Byrnes, Secretary of State, in April 1946;⁸¹

c) special international control of the industrial Ruhr district in order to ensure that the abovementioned supervision will actually take place and to harmonize the development of the production of this region with that of the whole of Europe. The three Governments have claimed the right to participate in this control.

d) in the event that the present Military Government in Germany and the military occupation of the whole country should be abolished, maintenance of the military occupation restricted to certain centres, ensuring strict control of the country such as ports, aerodromes, traffic centres or special regions such as the Rhine valley, which control should be exercised as part of the international regime.

The recommendations sub (c) and (d) are not of a restrictive nature and not meant to exclude such similar measures as may be deemed appropriate in the eastern part of Germany.

On the other hand, certain economic guaranties should be obtained, such as the decentralization of the German economic system, provided that legitimate Allied interests shall be safeguarded.

Besides, the three Governments feel that, on account of equity as well as for economic reasons, it would be intolerable to improve the

⁸¹ Reference to the draft treaty on the disarmament and demilitarization of Germany, submitted by Secretary of State Byrnes to the Council of Foreign Ministers in Paris on April 30, 1946; for the text, see *Foreign Relations, 1946*, vol. II, p. 190.

German economy by any measure which would favour it in comparison with the economy of Allied countries or which would be detrimental to the latter. The prosperity of the Netherlands, Belgium and Luxemburg, and their co-operation in restoring general welfare and maintaining security, deserve at least as much consideration as the interests of Germany.

As long as Germany is governed by or submitted to the supervision of an international regime, participation in this regime by nationals of the three countries which have gained so much experience in their relations with Germany, will be desirable.

The three Governments trust that, either in solving the German problem in general, or that of the Ruhr district in particular, no decision will be taken without previous consultation with, and the approval of, the three Governments having such vital interests in the solution of the German problem. To achieve this end, they would appreciate to be heard by the Conference of the Ministers of Foreign Affairs.

3. Although no observation whatsoever has been made with regard to the views developed by the three Governments, it is interesting to note that, in several respects, the policy followed by the Great Powers in Germany and their achievements in various fields, have been directed towards aims similar to those marking the recommendations of the three governments.

The theoretical level of the German production-capacity in the British and American zones has been considerably raised pursuant to the plan of August 27, 1947, as compared with that of March 26, 1946.⁸²

The majority of the Great Powers have declared themselves in favour of the economic unity of Germany. As a matter of fact, the British and American zones have been merged into one economic unity, and a joint organization has been established with a view to carry these plans into effect.

In every zone the political structure has tended towards the institution of a certain number of states (Länder) as a necessary basis for the ultimate federal organization.

At the same time there has been an increase in the degree of self-government granted to the Germans for the control of their public affairs and the government exercised by the Control Council has taken a less military character.

The American Secretary of State, Mr. Marshall, recently expressed his intention of approaching the Council of Ministers of Foreign Affairs meeting in London, with a view to repeat the proposal of Mr.

⁸² For documentation regarding the revised level of industry plan for the American and British zones of occupation in Germany, see pp. 977 ff.

Byrnes, his predecessor, inducing the four Great Powers, participating in the occupation of Germany, to conclude a Treaty to ensure the disarmament and demilitarization of that country for a period of forty years. The three Governments wish to state again that they fully endorse this plan which, in their opinion, constitutes one of the mainstays of the future peace, and they would earnestly recommend it for adoption.

4. Although they have noted with satisfaction that the Great Powers, in respect to their policy with regard to Germany, have accepted the abovementioned general principles, the three Governments are constrained to express their regret that the occupation authorities, in many respects, have not given adequate consideration to the vital interests of the three countries, particularly those in the economic field.

5. It is the wish of the three Governments that the policy with regard to Germany be pursued along the lines indicated by them, for the following reasons:

On the one hand they are of the opinion that it is imperative to determine the definite political and economic statute [*status?*] of Germany with a view to put an end to the uncertainty and confusion, which are hampering the restoration of general stability, and to allow Germany to recover within the framework of a peaceful and successful organization of Europe and the world at large. They feel that, in making these recommendations, they are offering an acceptable compromise between their demands for safeguarding their security as well as their welfare, and the reasonable aspirations of the German people.

On the other hand they have the firm belief that unanimity of views of the Great Powers on the German problem, as the basis of world peace, is a matter of vital importance.

They feel that, in making their recommendations, they have given such consideration to the various political views of the Great Powers as would enable the latter to use them as a basis for the German statute which is likely to meet with their approval.

CFM Files : Lot M88 : Box 86 : CFM (47) (L) Documents

*Proposal by the United Kingdom Delegation to the Council of
Foreign Ministers*⁸³

SECRET

27th November, 1947.

CFM(47)(L)7

SUPPLEMENTARY PRINCIPLES TO GOVERN THE TREATMENT OF GERMANY

The U.K. Delegation circulates herewith the paper which it tabled originally in Moscow under reference CFM/47/M/89.⁸⁴

In the text of Part III of the Potsdam Agreement published on 2nd August, 1946,⁸⁵ were laid down the aims of the Allied occupation of Germany and the political and economic principles to govern the treatment of Germany in the initial control period.

The Controlling Powers reaffirm their acceptance of the Principles contained in this Agreement. It is their purpose to extirpate German militarism and Nazism. It is not their intention to destroy or enslave the German people. It is their intention that the German people should reconstruct their life on a democratic and peaceful basis.

They consider, however, that the development of events calls for a further statement of the principles which should guide them during the second phase, which is now beginning, of the initial control period. They regard this further statement of principles as supplementing in the light of experience the principles contained in the Potsdam Agreement. Where, however, there is any inconsistency between the principles contained in that Agreement and those contained in the present statement, the latter shall prevail. The Controlling Powers are agreed that it will be their main task, and that of the Germans, during that period, to achieve the following aims:—

(1) To establish political conditions which will secure the world against any German reversion to dictatorship and any revival of German aggressive policy.

(2) To establish economic conditions which will enable Germany to become self-supporting and to repay the expenditure incurred on her behalf by the Occupying Powers since the beginning of the occupation; which will enable her to make good the damage done by the war; and will further enable Germans and the world outside Germany to bene-

⁸³ This proposal was discussed by the Council of Foreign Ministers at its 12th through 16th Meetings, December 8-12, 1947; for the reports on these meetings, see pp. 756-769 *passim*. Portions of this proposal which were approved or amended by the Council are indicated in annotations at the appropriate places.

⁸⁴ For the text of the British proposal as circulated to the Council of Foreign Ministers in Moscow on March 31, 1947, see *Documents on International Affairs, 1947-1948*, pp. 453-464.

⁸⁵ *Foreign Relations*, The Conference of Berlin (The Potsdam Conference), 1945, vol. II, p. 1499.

fit from German industry and resources without re-establishing the economic foundations of an aggressive policy.

(3) To establish constitutional machinery in Germany which will ensure these ends and which will be acceptable to the German people.

(4) To establish, with this end in view, the maximum responsibility for and interest in political, administrative and economic developments along democratic lines on the part of the Germans themselves.

With those aims in view, the Controlling Powers have agreed upon the following principles which shall guide them during the second phase of the initial control period, and in the execution of which Germans shall play a major part.

A.—POLITICAL PRINCIPLES

1. In furtherance of the policy of decentralising the political structure and developing local responsibility laid down in paragraph 9 of the Potsdam Principles, the objective of the Controlling Powers is to see eventually established in Germany a constitution based on the rules of law and providing for the division of powers between the constituent States or *Laender* and the Central Government. This division of powers shall be made on the following principles:—

(a) All powers shall be vested in the *Laender* except such as are expressly delegated to the Central Government, as set out in sub-paragraph (b) below, and subject to the reservations in sub-paragraph (c) below and to paragraph 8 below. The *Laender* shall further be charged wherever possible with the execution within their territories of legislation enacted by the Central Government under sub-paragraph (b) below. In particular, the *Laender* shall be required to pass the legislation necessary to implement international treaties, so far as these cover subjects within the competence of the *Laender*.

(b) The Central Government shall have legislative and executive responsibility in the subjects essential to secure:—

- (i) *The necessary political unity*, especially; nationality, naturalisation, immigration, emigration and extradition; foreign affairs; and the implementation of Treaties, insofar as these deal with matters which are within the competence of the Central Government.
- (ii) *The necessary legal unity*, especially; fundamental principles of criminal, civil and commercial law; copyrights, patents and trademarks; negotiable instruments, bills of lading and other documents of title of goods.
- (iii) *The necessary economic unity*, especially; customs and foreign trade; import and export control; the maintenance of certain nationally important communications by road, rail, water, posts and telegraphs; weights and measures.
- (iv) *The necessary financial unity*, especially; the issue of currency and coinage; certain powers for the coordination of

banking; the national public debt; certain powers of taxation to be agreed; foreign exchange control.

(c) At present acute economic difficulties in Germany make it unavoidable that certain powers in the economic field should be exercised by central governmental machinery under the supervision of the Control Council. These powers refer particularly to the supply of food, the distribution of food and raw materials in short supply, the planning of industry and the control of labour, wages and prices. The Control Council shall decide in due course, after consultation with a German advisory body, by what German bodies these powers shall be exercised, if at all.

2. The following principles shall govern the ultimate form of the Central German Government:—

(a) There shall be a President and two Chambers, one representing the nation as a whole and the other the separate *Laender*. Both Chambers shall be elected at regular intervals of not longer than five years.

(b) The rights and duties of the President shall be limited to those exercised by a constitutional head of State without independent executive authority. He shall hold office for not more than five years.

(c) The Chamber representing the nation as a whole shall be popularly elected and shall be responsible for initiating central legislation and passing it, subject to such powers of amendment as may be accorded to the second Chamber mentioned in 2(d) below.

(d) The Chamber representing the *Laender* shall be elected on the basis of equal representation for each *Land*. Its main concern will be to ensure that legislation takes fully into consideration the interests of the *Laender*. It shall have powers of absolute veto on international treaties and constitutional matters and suspensory veto on other legislation.

(e) The members of the Central Government need not be members of the Chambers, but shall be individually responsible to the popularly elected Chamber for the exercise of their functions.

(f) A Supreme Court shall be established to safeguard the constitution and determine questions of dispute between any two *Laender* or between any *Land* and the Central Government.

3. As pre-conditions for the establishment of the rule of law and for any democratic development in Germany the following rights shall be freely and immediately exercised by all Germans throughout Germany subject to such restrictions as may be decided by agreement within the Control Council: freedom of speech; freedom of the press and radio; freedom of assembly; freedom of movement and communication; freedom in religious affairs; freedom of association for lawful purposes; freedom of the judiciary; freedom from arbitrary arrest and imprisonment.

Constitutions of the *Laender* (and as necessary the constitution of the Central Government) shall be so framed as to safeguard these rights.

4. The following shall be the principal stages in the establishment in Germany of a constitutional democracy, as outlined in paragraphs 1 and 2:—

(a) Central Administrations shall be established to discharge the immediate tasks most necessary to ensure the economic unity of Germany.

(b) A German representative body shall be nominated at an early date to advise the Control Council on the general aspects of the work of the central administrations and on the number and size of the *Laender*, and to work out, within the framework of principles agreed by the Control Council on the basis of paragraphs 1 and 2, the details of a provisional constitution.

(c) The provisional constitution and any recommendations of this advisory body shall be submitted to the Control Council for its approval and in accordance with the provisional constitution as approved by the Control Council elections shall be held and a provisional Government formed to operate the provisional constitution.

(d) When due trial has been made of the provisional constitution it will be amended after taking into account the recommendations of the provisional Government and ratified by the German people and approved by the Control Council. At this stage a new Government will be duly elected.

5. The Central administrative agencies referred to in paragraph 4(a) above shall be established as soon as possible and by a date to be fixed by the Control Council and shall exercise executive functions in the fields of transport and communications, finance, foreign trade and industry, the distribution and production of essential materials and foodstuffs, and such other fields as may be determined by the Control Council. Their executive functions shall extend over the whole of Germany; their agents and any Allied supervisory staff shall be free to travel throughout Germany. It should be brought home to the German people that while these agencies will operate under the policy direction of the Control Council they will have full executive responsibility for the management of the economy of Germany.

6. As soon as the provisional German Central Government has been formed, it will assume the powers of the central administrative agencies insofar as these are consistent with the definition of powers to be delegated to the central government contained in paragraph 1 (b) above.

7. Control at this stage shall be exercised as follows:—

(a) The provisional Central Government, when established, shall

- (i) exercise, subject to the approval of the Control Council, legislative powers in the fields assigned to it. The Control Council will, when it thinks the time appropriate, authorize the provisional Central Government to enact legislation in any matters for which it is competent, subject only to veto by the Control Council.
- (ii) supervise the execution of any such legislation by the appropriate authority and of any instructions of the Control Council in the fields for which the provisional Central Government is competent.

(b) The method of control over the exercise by *Land* Governments of powers for which they are exclusively competent shall be determined by Zone Commanders. Such control shall be confined to the minimum necessary for safeguarding the general aims of the Allied occupation. In spheres where the *Land* Government is carrying out policies laid down by the Control Council, control by the Zone Commander shall be confined to measures necessary to ensure the observance of the decisions of the Control Council.

8. The Control Council will reserve to themselves full authority in respect of the following subjects:—

- (a) Demilitarisation and disarmament
- (b) Denazification
- (c) Decartelisation
- (d) Security
- (e) Reparations
- (f) Restitution
- (g) Prisoners of War and displaced persons
- (h) War Criminals
- (i) Immunities and requirements of the occupying forces and of the control authority
- (j) Foreign relations
- (k) Foreign exchange receipts.

In general the Control Council will lay down policy on the above subjects. Its execution shall in general be supervised by the Control Council or by the Zone Commanders as may be appropriate.

9. A quadripartite Allied Inspectorate shall be established to ensure that the work of disarmament and demilitarisation is completed and maintained. The officers and agents of this Inspectorate shall conduct in any and all parts of German territory all necessary inspections, enquiries and investigations.

10. The Controlling Powers will retain forces of occupation in Germany adequate to ensure that Germany is, and remains, disarmed and demilitarised.

11. In order that plans may be made at an early date for the absorption of repatriated persons into the German economy, the Controlling Powers shall furnish to the Control Council not later than 1st June,

1947, their plans for the repatriation to Germany of the German members of the former German armed forces and auxiliary services now under their control. These plans should include provisions whereby such repatriation would be completed by the 31st December, 1948, and should cover any German members of the former German armed forces and auxiliary services who may have been transferred by any of the Controlling Powers to any other Allied Power.

12. The Controlling Powers reaffirm the decision of the Control Council that no German shall be removed to work outside Germany without a contract signed voluntarily and before his removal.

13. (i) The Control Council shall study further the whole question of the transfers of population into Germany with a view to directing to the areas best able to receive them those populations whose transfer to Germany is still to be expected. Account shall be taken in this study of the situation existing in each zone, the contribution already made by each Zone Commander to the solution of the problem and the commitments still outstanding.

(ii) The Control Council shall carry out a re-distribution of refugees and expellees already transferred to the various zones of Germany, in order to effect a more equitable and a more even settlement. A German commission shall be established to study this question. This commission shall be accorded freedom of action and of movement throughout Germany as a whole and shall be responsible for the implementation of its own recommendations, subject to the rights of the government of the *Laender* being safeguarded and subject to general supervision of the Control Council.

14. Measures for land reform shall be implemented throughout Germany before 1st January, 1948. This reform shall be effected in a manner which does not adversely affect the production of food in Germany.

15. No further territorial re-organisation shall be effected in Germany without the approval of the Control Council.

B.—ECONOMIC PRINCIPLES

16. It will be the aim of the Controlling Powers during the second phase of the initial control period to complete the elimination of Germany's war potential; to enable Germany to make good the damage done to the Allies in the war; and subject to restrictions required in the interests of security to effect such further restoration of her economy as may be necessary:—

(a) to achieve as soon as possible a balanced economy which will permit her to pay for her essential imports from the proceeds of exports without external assistance;

(b) to repay as soon as possible to the Controlling Powers the sums advanced, since their armies first occupied German territory, on account of the import requirements of the population of Germany and to pay for external occupation costs;

(c) to play her part in the restoration of a healthy economy in Europe as a whole.

17. On or before 1st July, 1947, the Control Council shall agree upon the details of a scheme for:—

(a) the full and immediate application of paragraph 14 of the principles laid down in the Potsdam Agreement, which relates to the treatment of Germany as an economic whole; and

(b) the sharing between the Controlling Powers of the financial burden already incurred and which may be incurred by them in the future. The financial principles to give effect to this shall be laid down during the present session of the Council of Foreign Ministers.

18. In accordance with paragraph 17 above, as from 1st July, 1947, all restrictions on the movement of goods between the different zones of Germany shall be abolished and, in pursuance of paragraph 15(c) of the Potsdam Principles, the resources of each part of Germany and all goods imported into Germany shall be used for the benefit of Germany as a whole.

19. A common export-import programme for Germany as a whole shall be drawn up with effect from 1st July, 1947. As soon as the appropriate Central German Administration has been established it shall take over this task. This programme, which will allow for the equitable distribution of indigenous resources throughout Germany, shall be designed to achieve as soon as possible a sufficient balance of exports over imports and thus fulfil the objectives set out in paragraph 16 above. It shall take into account the need to maximise coal production and agricultural output, improve housing conditions and restore the transport system. The export-import programme shall be subject to the approval of the Controlling Powers.⁸⁸

⁸⁸ According to the Provisional Record of Decisions of the 13th Meeting of the Council of Foreign Ministers, December 9, the content of this paragraph was approved subject to the following amendments:

"The Soviet Delegation proposed that the penultimate sentence of the U.K. text should be amended to read:

'It shall take into account the need to maximise coal production and agricultural output, to *develop the peacetime branches of industry, including the production of goods for the German population and for export to other countries*, to improve housing conditions and to restore the transport system.'

"The U.K. Delegation proposed the insertion of the phrase 'subject to the agreed level of industry'.

"The French and U.K. Delegations proposed that the references to the setting up of central German administrations should be qualified by the words 'in accordance with the decisions of the Council of Foreign Ministers'." (CFM Files : Lot M-88 : Box 87 : Provisional Records of Decisions)

20. The repayment of sums advanced by the Controlling Powers on account of the import requirements of the population of Germany shall be the first charge on Germany's foreign exchange resources after her essential needs have been met. The Controlling Powers will furnish the appropriate German Central Administration with an agreed statement, as of the 30th June, 1947, of any sums owing to them under this head. In computing the amounts due to them they will give full credit to Germany for all exports or proceeds of exports which they have received from German current production and stock, whether or not these exports were taken in the first instance under the head of reparation. This statement shall be furnished by the 30th September, 1947.

21. The Controlling Powers shall also furnish to the appropriate German Central Administration agreed statements of their external occupation costs. These sums shall be regarded as debts due from Germany to the Controlling Powers, ranking for repayment after the sums mentioned in paragraph 20 and the manner of their repayment shall be determined in the Peace Treaty.

22. Until Germany has attained a balanced economy and until the sums referred to in paragraphs 20 and 21 above have been repaid to the Controlling Powers, Germany shall not be called upon to make any reparation deliveries from current production or stocks.

23. The acquisition of any interest in an enterprise in Germany by any foreign power or its nationals after 8th May, 1945, shall only be valid if approved by the Control Council. The Control Council shall pass the legislation required to give effect to this provision.

24. All property, rights and interests in Germany owned or acquired by any foreign power or its nationals shall remain subject to the law in force in Germany applicable to property generally, but such Powers and their nationals shall possess all the rights under German law pertaining to their property, rights and interests. Any enterprises so owned or acquired shall remain a part of the economic resources of Germany. The foregoing shall be subject to such exceptions as may be agreed by the Control Council in respect of the property of the Occupying Forces, the Allied Control Authority and its members.

25. The appropriate German Central Administration shall present for the approval of the Control Council proposals for financial reform in Germany. The aim of these proposals shall be to place on a sound basis the German currency, the systems of taxation and banking, the national debt, the foreign exchange rate and the wage and price levels, to diminish the danger of inflation which arises from the present excess of purchasing power, and to provide for an equitable sharing

among the German people of the financial burdens of the war and its aftermath.

26. The appropriate German authorities shall put forward as soon as possible for the approval of the Control Council proposals in regard to the breaking up of concentrations of economic power as exemplified by cartels, syndicates, trusts and other monopolistic arrangements. Proposals for the public ownership of certain industries shall be regarded as one method of carrying out this provision.⁸⁷

C.—REPARATIONS AND LEVEL OF INDUSTRY

27. The Controlling Powers confirm the general principles of the Potsdam Agreement on Reparations. Experience has, however, demonstrated that the Level of Industry Plan of March, 1946, on which the extent of reparations deliveries was assessed, requires substantial alteration. The Level of Industry Plan shall therefore be revised so as to meet both the needs of security and the needs of the German economy; Germany shall be left with sufficient capacity to produce eventually 10 million ingot tons of steel per annum (and this shall also be the permissible production of steel in Germany); the limits on the capacity to be left in Germany of other restricted industries shall

⁸⁷ In document CFM (47) (L) 25, December 11, not printed, the United States Delegation proposed the following addition to the second sentence of this paragraph: "provided such proposals represent the free choice of the German people." (CFM Files, Lot M-88, Box 88, CFM (47) (L) Documents) At its 15th Meeting, December 11, the Council of Foreign Ministers approved this paragraph as amended by the United States Delegation.

At its 14th Meeting, December 10, the Council of Foreign Ministers considered a new paragraph (26 bis) proposed by the French Delegation in document CFM (47) (M) 99, April 4, 1947, originally circulated to the Council during its Moscow Session. The proposed paragraph read as follows:

"The Control Council shall reinforce Allied Control over the distribution of coal, power and steel, and their utilization in Germany. It shall see to it that there is an equitable distribution of coal and power between the various States in proportion to the industries retained. It shall determine the order of priority to be observed in their distribution amongst the various uses." (CFM Files, Lot M-88, Box 59, CFM (47) (M) Documents)

At its 15th Meeting, December 11, the Council heard a British proposal for the following alternative wording to this new paragraph 26 bis:

"The Allied Control Council shall provide that specific amounts and percentages of the German output of products of key importance to European economic recovery, such as coal, coke and power, be exported. It shall take any measures it may consider necessary to ensure that the German Central Administration (or Provisional Government) distribute such resources properly within Germany as between various *Länder* and industrial priorities."

At this same Council meeting, the French Delegation proposed that the second sentence of the British text be amended to read:

"It shall take any measures it may consider necessary to ensure that the German organization charged with distribution distribute such resources properly within Germany as between various *Länder* and industrial priorities." (CFM Files: Lot M-88, Box 87, Provisional Records of Decisions)

The Council approved this amended text for paragraph 26 bis.

also be subject to upward adjustment; and the list of prohibited industries shall be reviewed.⁸⁸

28. The rehabilitation of German industry shall be effected on a progressive plan having due regard to the necessity of exporting coal to the liberated countries. In particular the rate by which steel production is increased shall be determined in relation to the need for coal exports provided that the burden of cost on the occupying powers is not increased as a result of this consideration.

29. A fresh determination of plant and equipment for removal as reparation shall be made by the Control Council, on the basis of the revised Level of Industry Plan, not later than 1st July, 1947.⁸⁹

30. The delivery of plant and equipment shall be hastened; and to this end:—

(a) the final list of plant and equipment to be removed from Germany shall be issued by the Control Council not later than 15th August, 1947.⁹⁰

(b) the liquidation of war plants which have been placed in Category I by the Control Council and the valuation, allocation and dismantling of the general purpose equipment in those plants, shall proceed forthwith and shall not be delayed pending the preparation of the revised level of industry plan;

(c) the Control Council shall put in hand measures to hasten the procedure for the valuation, allocation, dismantling and delivery of capital equipment.

31. Each of the Occupying Powers shall provide for the Council of Foreign Ministers information on the type and amount of reparation removals from its zone up to the present date and thereafter regularly to the Control Council.

D.—REVISION

32. The Controlling Powers will from time to time consult together for the purpose of reviewing the application of the Potsdam Agreement and the present Supplementary Principles with a view to defining such further principles and to such revision of these Agreements as may be required in the light of experience.

⁸⁸ At its 15th Meeting, December 11, the Council approved this paragraph with the amendment that the steel capacity would be fixed at 11.5 million ingot tons. According to the Provisional Record of Decisions of the meeting, the French Delegation made its acceptance of this figure subject to satisfactory decisions being taken by the Council on the questions of security and exports of German coal.

⁸⁹ At its 15th Meeting, the Council agreed in principle to a date of March 1, 1948, subject to agreement being reached on the whole matter under discussion.

⁹⁰ At its 15th Meeting, the Council agreed in principle to the date of April 15, 1948, subject to the same reservation made for paragraph 29.

CFM Files : Lot M-88 : Box 86 : CFM (47) (L) Documents

*Proposal by the United Kingdom Delegation to the Council of Foreign Ministers*⁹¹

SECRET

LONDON, 28th November, 1947.

CFM (47) (L) 12

FRONTIERS OF GERMANY

The Deputies for Germany should establish an Allied Commission or Commissions to report on the territorial claims against Germany of the States neighbouring on Germany.

2. This Commission (These Commissions) should consist of representatives of the four occupying powers and of a convenient number of representatives of those allied states who are neighbours of Germany or who participated with their armed forces in the common struggle against Germany, including the state or states with a direct interest in the particular claim or claims under study.

3. This Commission (These Commissions) should be empowered to conduct such investigations as may be necessary in order to determine the effects of these claims on Germany. It (They) should report to the Council of Foreign Ministers at its next meeting.

4. This proposal is subject to the Council of Foreign Ministers reaching agreed decisions at its present meeting on the fundamental German problems under discussion.

740.00119 Council/12-347 : Telegram

The Acting Secretary of State to the Secretary of State, at London

TOP SECRET

WASHINGTON, December 3, 1947—7 p.m.

5085. Secdel 1533. For the Secretary from Lovett. In our press telegram no. Secdel 1524⁹² summary of story which appeared Dec 1 *New York Times* on division in US Delegation at London concerning Ruhr was transmitted. I feel I should tell you this report has caused great concern here. Not only has there been adverse editorial comment in today's papers but both Mr. Forrestal and Mr. Byrnes expressed anxiety over this report which left the impression that we might enter into an arrangement which would give the Russians access to the Ruhr. Mr. Byrnes said the Ruhr is the one thing the Russians really want

⁹¹ This paper was discussed by the Council of Foreign Ministers at its 4th Meeting, November 28, but not approved; see telegram 6249, Delsec 1509, November 28, from London, p. 736.

⁹² Not printed.

control of and that Molotov had once remarked, after a few drinks, that he would trade all the rest of it for this "citadel of Europe".

Is there anything you would like us to do at this end in case of further press reaction.⁹³

LOVETT

CFM Files : Lot M-88 : Box 86 : CFM (47) (L) Documents

*Proposal by the Soviet Delegation to the Council of
Foreign Ministers*⁹⁴

SECRET

LONDON, 8th December, 1947.

CFM(47) (L) 22

ECONOMIC PRINCIPLES, LEVEL OF GERMAN POST-WAR ECONOMY AND
REPARATIONS PLAN

I.

1. The Controlling Powers recognize the necessity of accelerating the rehabilitation of German peace-time industry, agriculture and transport and of raising the living standard of the German people, the necessity of Germany participating in the rehabilitation of the economic systems of the European countries which suffered from German aggression as well as the expansion of her foreign trade. These objectives shall be pursued with due regard to the interests of security and to preventing the restoration of Germany's war industry. Inasmuch as success in the matter of the economic rehabilitation of Germany depends primarily on the efforts of the German people themselves and on the possibility of the relevant measures being taken all over Germany and as this calls for the establishment of economic agencies for the whole of Germany operating under Four-Power control.

(a) The Control Council is directed to set up at the earliest possible moment central German administrative departments dealing with

⁹³ In telegram Martel 28, December 4, from London, Secretary Marshall replied to Acting Secretary Lovett as follows:

"Reference your Secdel 1533 regarding *New York Times* report: There is no foundation whatsoever for the report. I have not even yet discussed the Ruhr matter with the Delegation. Therefore, I am not resolving a split but am merely struggling with a too quick reaction in the United States to a wholly unjustified press statement. Please give Forrestal and Byrnes the substance of the foregoing and say that I am a little surprised at their instant reaction to such a press story which has been common I believe to every conference." (740.00119 Council/12-447)

⁹⁴ Paragraphs 1, 2, and 3 of this paper were circulated earlier to the Council as document CFM(47) (L) 21, December 6, 1947, not printed. This paper was discussed by the Council of Foreign Ministers at its 12th Meeting, December 8 and its 16th Meeting, December 12; see telegrams 6381, Delsec 1531, December 8 and 6457, Delsec 1543, December 12, both from London, pp. 756 and 766.

matters calling for centralized decisions in the spheres indicated in the Potsdam Agreement, as well as for food and agriculture.

(b) Central German administrative departments will be under the supervision and direction of the appropriate quadripartite agencies of the Allied Control Authority. When a German provisional government has been established new arrangements shall be made in this field.

The Zone Commanders, each in his own zone shall exercise general supervision and control over the activities of central German administrative departments on the basic questions, being guided by the necessity to ensure the fulfilment by Germany of her obligations to the Allies, the maintenance of the security of the occupation forces and compliance with the instructions of the Control Council in accordance with Four-Power policy in respect of Germany.

In cases where the directives of the central German administration contravene the directives or orders of the Control Council, the Zone Commanders shall have the right to suspend the execution of such directives, informing the Control Council about this and the Control Council will make the final decision on the matter involved.

2. In modification of the Control Council's decision of March 26, 1946, the raising of the level of German industry shall be provided for, so as to bring the annual output of steel to 10-12 million tons at an early date.

Central German Departments shall be responsible for framing measures for the rehabilitation of German economy within the limits of the new level of industry, taking into account Germany's obligation to fulfil unconditionally the reparation and other basic obligations imposed upon her.

3. With the establishment of central German Departments and of the procedure for the fulfilment by Germany of her reparation and other main obligations, interzonal economic barriers shall be abolished and the necessary facilities provided for the free flow of goods throughout all Germany.

All zonal German economic agencies covering one or more zones shall also be abolished.

4. In view of the fact that the industry of the Ruhr region was the main basis of German militarism, the Ruhr industrial region shall be placed under the joint control of the United Kingdom, France, the United States of America and the U.S.S.R.

5. Action on a nation-wide scale shall be taken for improvement of the financial and monetary system in Germany.

6. In order to ensure imports of raw materials and other materials necessary for German peace-time industry and the discharge by Ger-

many of her obligations to the Allies, the expansion of German exports shall be encouraged.

7. The Control Council shall be asked to adopt the necessary measures for the taking over of factories and other enterprises from German concerns, cartels and trusts, and for transferring of these enterprises to the ownership of the German State. The democratic parties and free trade unions of Germany shall be invited to assist in carrying out these measures.

8. The agreement concerning the economic unification of the British and American Zones as well as other separate agreements connected with this unification shall be deemed null and void as contravening the economic unity of Germany.

II.

REPARATIONS FROM GERMANY

In accordance with the decision of the Potsdam Conference on levying reparations from Germany by zones and in order to determine the extent and procedure of levying reparations, the Council of Foreign Ministers considers it necessary:

1. To fix the total volume of reparations from Germany at . . . (in 1938 world prices).

To fix reparations for the U.S.S.R. at 10 billion dollars, the Soviet Union to satisfy the reparation claims of Poland from its share.

2. To utilise for the coverage of reparations:

a) Once-for-all removals, which were or will be made during the period following the Potsdam Conference, of usable and complete industrial equipment which is not necessary for German peace-time economy.

If the equipment of an enterprise is retained for utilization in Germany, any other property of such enterprise that is connected with its activity may be taken on account of reparations.

b) Annual deliveries of goods from current production.

c) German assets abroad.

d) Various services.

3. The removals of equipment from Western zones of occupation of Germany provided for by the Potsdam decisions shall be completed by the end of 1948.

4. To determine that the reparation obligations of Germany must be fulfilled within a period of 20 years, this period to be reckoned from the date of publication of the decisions of the Potsdam Conference of the Three Powers.

5. To renew the activity of the Inter-Allied Committee for Reparations, consisting of representatives of Great Britain, the USA, France and the USSR.

6. On condition that the agreed plan for the delivery of reparations is regularly fulfilled, to consider it possible not to put any obstacles in the way of the increase of production of the German peacetime industry, both for the domestic consumption of Germany and for the development of trade with other countries.

740.00119 Control (Germany)/12-847: Telegram

The United States Delegation at the Council of Foreign Ministers to the Department of State

TOP SECRET

LONDON, December 8, 1947—3 p.m.

Martel 43. McWilliams from Humelsine. Following is top secret report of Mr. Dulles' conversation with De Gaulle⁹⁵ which Dulles handed to the Secretary this morning:

For Mr. Lovett from the Secretary.

"1. The danger from Germany has always come from initiative by Prussia and the influence of that initiative over other Germans. The ever present danger of an all-German Government centered in Berlin is increased by the likelihood that it would either be dominated by the Soviet Union or, as a matter of expediency, join forces with the Soviet Union. Formerly there was a barrier between Germany and Russia because Germany was stronger and Russia feared her. Today Russia is stronger and dares to use Germany, and Germany needs Russian backing. Also the Germans take to the "iron discipline" methods of the Soviet Communist Party.

2. The best insurance is to rebuild Germany in terms of states. There will, of course, be need of central administrations in such matters as railroads, post, currency, etc. But these should be worked out by the states after they are organized and not first be created and imposed by the Allies, although for their own convenience they might establish a new currency.

A serious defect in the zonal arrangements was that they cut across many historic state lines and that has impeded the reestablishment of German states.

3. There should be a special regime for the Ruhr, along lines of TVA, so that if revived industry could not be a military or economic weapon against the West.

4. Any tri-zonal merger could be predicated on an agreed policy along these lines. France should not put its German zone into a merger designed to be a step in recreating a united Germany under a strong all-German Berlin Government. The vital interests of France are at stake and if a weak French Government should be led to sacrifice those interests, there would be risk of early repudiation of its action by a succeeding French Government.

5. If the above principles could be agreed, the German states could be given, say, one year in which to establish their governments and

⁹⁵ The conversation was held in Paris on December 6, 1947.

work out any desired interstate governmental agencies. It would not be necessary to make any "peace treaty" but only to recognize, diplomatically, the *de facto* status. There should be some continuing military occupation and inspection.

6. On the foregoing basis there would be no obstacle to the active revival of German industry, notably in the Ruhr. There should be close economic relations between the western German states and France, Belgium, the Netherlands, and Luxembourg. This would be in the common interest. There is need for coal and industrial goods from Germany and unless German commercial relations with the West become intimate there would be strong orientation toward the East. The Ruhr could be not merely a coal-mining area, but an industrial area. There are many products, for example electrical equipment, at which Germans excel. There has never been, and need not be, strong commercial rivalry between French and Germans. Their efforts can be complementary.

7. There should be increasing economic unity in all of western Europe to create a solid and vigorous grouping of over 100 million people. Small divided units can not withstand the pressure likely to develop from the east where the Soviet Union has its own 200 million plus the satellite states which are being politically and economically integrated with it, and plus perhaps some of the Germans.

8. Africa can, in the long run, be developed to provide food and raw materials in exchange for consumer goods and construction and development work. The people are poor material but the natural products are potentially important.

9. The Italian situation is critical and while Italy will for long be poor and weak, it should be saved from Communism. A great help would be to restore some of the African colonial area, not as colony but under United Nations trusteeship. The psychological effect of this in Italy would be very great. This should be done even though the British may make objections.

10. The British will probably not be very cooperative in working out a clear program for western Europe. They prefer a fluidity which enables them to influence events on a day-to-day basis. They do not want to have to decide definitively whether to throw in their lot with the continent or with their overseas dominions. Uncertainty on the continent postpones the necessity of early choice. Their attitude is perhaps more instinctive, based on tradition, than reason.

11. Three-power negotiations about Germany should not be begun until there is agreement on basic principles. Otherwise the occasion might merely produce discord on which Soviet and Germans would capitalize."⁹⁶

⁹⁶ Telegram Telmar 62, December 10, to London, not printed, replied to this telegram in part as follows:

"The de Gaulle factor seems to us to make earliest discussions with French on basic principles for tripartite cooperation [in Germany] desirable. Present French Govt's views on Germany nearer ours than de Gaulle's are. While de Gaulle's thinking may tend to exercise restraining influence on present Govt such commitments as it makes now would not lightly be repudiated by Gaullist Govt." (740.00119 Control (Germany)/12-1047).

2. The Draft Austrian State Treaty

740.00119 Control (Austria)/11-147

*Memorandum by the United States High Commissioner for Austria
(Keyes) for the Secretary of State*⁹⁷

TOP SECRET

Subject: The Austrian Problem

OBJECTIVES

The common objectives of the United States and of the Austrian Government in Austria, in order of priority, are:

- a) The effective participation of Austria in the European Recovery Program.
- b) The maintenance of Austrian territorial, political, and economic integrity.
- c) The withdrawal of occupation troops.
- d) The conclusion of a State Treaty which guarantees a), b), and c).

DISCUSSION

1. Since the Deputies Meetings in London in January 1947 and the Moscow CFM, the overall strategy for Western Europe has undergone significant changes. Before June 1947 the US was attempting to achieve piecemeal settlement of differences with the Soviets at the best possible individual price, and hence was bending every effort to secure an Austrian treaty at the least cost to Austrian sovereignty and independence. In view of the changed strategy inherent in the European Recovery Program it is deemed advisable to review this policy for Austria, and to consider the solution of the Austrian problem in the framework of the general situation in Western Europe and specifically in relation to the European Recovery Program.

2. Austria's participation in the European Recovery Program and in the Interim Aid program over strong Soviet objections and the further consolidation of the U.S. political position in Austria has made that country the easternmost Central European bulwark of the European Recovery Program. Conversely, abandonment of Austria to potentially complete Soviet penetration would drive a wedge between Italy and Western Germany, expose the Southern flank of the U.S. zone of Germany, and threaten the position in depth of the European

⁹⁷ There are no indications in the source text as to the date and place of preparation of this memorandum. The date enclosure of the Department file cannot be accepted as an indication of the date of the memorandum. General Keyes presumably prepared this memorandum while he was in London as a member of the United States Delegation to the Council of Foreign Ministers. The source text indicates that copies of the paper were distributed to other members of the Delegation.

Recovery Program in France and in England, besides depriving us of a useful wedge between the Slavic states of Yugoslavia and Czechoslovakia and an excellent observation post of Soviet operations in the Balkans.

3. In view of developments in Western Europe attendant upon the inauguration of the European Recovery Program, it is now, and will be in the future, Austria's sole hope of survival as an independent state that it be permitted to continue effective participation in the ERP. It is the hope and intention of the present Austrian government and of the vast majority of its people to implement participation in the ERP as a sovereign state, but unless adequate safeguards against Soviet economic domination are provided, it is questionable whether that participation can be implemented, or whether, in fact, the present Austrian government can long survive.

4. The present Austrian government is so strongly committed to the maintenance of territorial, political and economic integrity that any concessions to the Soviets along these lines would undoubtedly result in the fall of the government. Any cession of territory to Yugoslavia, any infringement of sovereignty, or granting of extra-territorial and extra-legal rights to Soviet holdings in Austria are strongly opposed by the majority of the Austrian populace.

5. Although the continuance of occupation constitutes a great economic and psychological burden on Austria after 21½ years, it has become clear to a majority of the populace that the presence of troops of the Western Powers has deterred the Soviets from resorting to such overt acts as took place in Hungary and other exclusively Soviet-controlled states. Following the Moscow CFM, Soviet objectives in Austria have emerged more clearly and there has been a marked change in public sentiment in Austria regarding the withdrawal of troops of the Western Powers. The fact that U.S. occupation forces no longer constitute a drain on the economy, but are an economic asset has contributed to this change of opinion.

6. The Austrian government and the Austrian people most fervently desire the conclusion of a State Treaty and the restoration of their independence and sovereignty. But since the conclusion of the Moscow CFM this wish has been tempered by the realization that a treaty which does not safeguard their sovereignty and economic independence may be far worse than no treaty at all. For obvious reasons, however, the principal and primary efforts of the Austrian government and the U.S. delegation must be directed, at least for public consumption, toward the goal of achieving a satisfactory treaty for Austria which would guarantee the attainment of objectives *a*), *b*) and *c*) above.

CONCLUSIONS

1. It would be in the best interests of the United States and of Austria to strive for achievement of the above objectives in the order of priority indicated.

2. For tactical reasons the U.S. Delegation should push in the CFM for the conclusion of a State Treaty, but only on condition that objectives *a*), *b*), and *c*) above are guaranteed.

RECOMMENDATIONS

It is recommended that

1. The U.S. Delegation at the CFM bend every effort to achieve the conclusion of an Austrian State Treaty which guarantees objectives *a*), *b*) and *c*) above by:

a) Supporting acceptance of the French compromise proposal at a level which guarantees the attainment of objectives *a*) and *b*).

b) Forcing the Russians into a declaration of their intentions toward Austria and a statement of their claims against Austria.

c) Proposing that the Austrian Government submit a plan for liquidation and settlement of all German assets claims based on their ability to pay and guaranteeing the objectives set forth above.

d) Proposing that the Western Powers renounce their claims against German assets in Western Austria, subject to agreement by all four powers on the settlement of the German assets question in Austria as a whole, and of the remaining unagreed articles of the treaty. Safeguards must also be provided to prevent the German assets in Western Austria from falling into Soviet hands by means of trading off against assets in the Eastern Zone.

2. Failing to secure a satisfactory treaty at the present meeting of the CFM the Secretary consider for approval the plan attached as Annex A ⁹⁸ for achieving objectives *a*) and *b*).

3. Failing to secure a satisfactory treaty at the present meeting of the CFM the Secretary consider for approval the plan attached as Annex B ⁹⁹ for withdrawal of troops.

GEOFFREY KEYES

Lieutenant General, USA
High Commissioner in Austria

⁹⁸ Not printed.

⁹⁹ Regarding the question of a possible withdrawal of Allied troops from Austria, see telegram P-8045, November 10, 1947, from Vienna, p. 1200.

CFM Files : Lot M-88 : Box 86 : CFM(47) (L) Documents

*Report of the Deputies for Austria to the Council of
Foreign Ministers*¹

SECRET

LONDON, 2nd December, 1947.

CFM(47) (L) 15

1. At the 2nd meeting of the Council of Foreign Ministers on 26th November,² the Ministers accepted a proposal by Mr. Bevin that the Report of the Austrian Treaty Commission,³ together with the proposal submitted by the French Delegation in Vienna (CFM/ATC (47)76 of 8th October, 1947—See Annex A⁴), should be referred for detailed examination to Deputies for Austria who should report back to the Council by December 2nd.

2. The Deputies at their meeting on 27th November decided to give immediate consideration to the French proposal since it had not yet been the subject of quadripartite discussion. The French Deputy accordingly elaborated the proposal, introducing certain figures in respect of the three following elements contained in the suggested settlement:—

- (a) an apportionment of oil rights both for prospecting and extracting in the form of new concessions and of certain assets in the field of refining and distribution.
- (b) a division of the assets of the D.D.S.G.;
- (c) an amount fixed in dollars to be paid by Austria through deliveries in kind.

This statement was circulated as CFM 47/L/8 of 27th November, 1947, and is shown at [as] Annex B.

3. Discussion of the French proposal and of the statement of the French Deputy took place at the Deputies' Meetings on 28th and 29th November and 1st December.

4. The positions of the United Kingdom, Soviet and United States delegations are set out below:—

POSITION OF THE UNITED KINGDOM DELEGATION

The U.K. Delegation welcome the French proposals and consider that they provide a general framework for a practical and constructive

¹ This document was discussed by the Council of Foreign Ministers at its 9th Meeting, December 4; see telegram 6326, Delsec 1521, December 4, from London, p. 747.

The Deputies for Austria were: United States—Ambassador Dodge; United Kingdom—James Marjoribanks, France—General Cherrière, Soviet Union—N. P. Koktomov.

² See telegram 6210, Delsec 1504, November 26, from London, p. 733.

³ Document CFM/ATC (47) 77, October 11, 1947, p. 631.

⁴ The document under reference here is not printed as an annex to this Report; for the text, see p. 620.

solution of the problem of German assets in Austria. Moreover, a solution on these lines would appear to obviate the difficulties which have arisen during the prolonged attempt to establish an agreed definition of German assets.

POSITION OF THE SOVIET DELEGATION

Under the decisions of the Potsdam Conference former German assets in Eastern Austria became the property of the Soviet Union and former German assets in Western Austria the property of the United Kingdom, the United States, France and other Allied powers.

On the question of German assets in Austria the Soviet Delegation has based, and is basing, itself on the Potsdam decisions. Since, however, the French Delegation has made an attempt to introduce practical proposals on that subject the Soviet Delegation has not refused to study these proposals. But the study of the French proposal undertaken at the previous meetings has yielded quite unsatisfactory results.

Thus the proposal of the French Delegation in the form as it is outlined in the documents presented to the Austrian Treaty Commission and to the Deputies is not, in the opinion of the Soviet Delegation, a just basis for resolving the differences on the question of former German assets in Austria.

POSITION OF THE UNITED STATES DELEGATION

The U.S. Deputy considered the approach of the French proposal as a practical basis upon which to attempt a reconciliation of existing disagreement regarding German assets in Austria.

5. The Deputies had a brief exchange of views regarding the discussion of the unagreed articles of the Treaty, but did not discuss these articles in detail for lack of time. In addition the U.S. Delegation stated that further discussion would be useless pending a larger measure of agreement on the subject of German assets (Article 35).

Annex B

Statement by the French Deputy for Austria (Cherrière) ⁵

SECRET

LONDON, 27th November 1947.

CFM(47)(L)8

The French delegation is now able to supply certain particulars in regard to the proposals which it put forward in Vienna on 8th October and which formed the subject of Document CFM/ATC(47)76 of 8th October 1947.

⁵ Statement made at the meeting of the Deputies for Austria, London, November 27, 1947.

Definite settlement of the problem of German assets in Austria should comprise three elements i.e. :

- (a) an apportionment of oil rights both for prospecting and extracting in the form of new concessions;
- (b) a division of the holdings of D.D.S.G.;
- (c) an amount fixed in dollars to be paid by Austria in the form of products from her current production.

After further study, since the adjournment of the work of the Austrian Control Commission, the French delegation is able to put forward certain figures in respect of each of these elements.

1. *Oil.*

(a) *Extraction.* The Soviet Union should receive concessions corresponding to about 50% of the present production of Austria. The duration and general terms should be fixed in accordance with precedents in similar cases.

(b) *Prospecting.* The Soviet Union should receive about 1/3 of the area of the Zistersdorf oilfields.

(c) *Refining.* Refineries representing a capacity of 250,000 to 300,000 tons should be transferred to the Soviet Union.

(d) *Distribution.* The Soviet Union should keep those facilities which she now has in two distributing concerns.

2. *D.D.S.G.*

Austria should forfeit in favour of the U.S.S.R. all holdings of the D.D.S.G. in Hungary, Roumania and Bulgaria. Further, Austria should transfer to the Allies a certain number of ships in order to compensate the losses suffered by their river fleets during the war through requisitions made for the benefit of the D.D.S.G.

3. *Amount in dollars.*

The figure envisaged by the French delegation for Eastern Austria is 100,000,000 dollars. Delivery should be spread over ten years, starting from such time as Austria's minimum needs have been met.

The particulars set out above by the French delegation do not, of course, constitute a fresh proposal, and all the suggestions contained in the document of 8th October, which formed a whole, as indicated in paragraph 17 of this document, still stand particularly those concerning points not dealt with above; this is specially the case as regards the application of Austrian law, arbitration, and the property of United Nations and minority groups.

740.00119 Council/12-1047

Memorandum from the United States Representative on the Austrian Treaty Commission (Dodge) to the Secretary of State

SECRET

[LONDON,] December 10, 1947.

1. *Further CFM Procedure*

a. The discussion on Austria ended 4 December with your statement that "in view of the vital importance of this phase of the Austrian treaty (the German assets question) and the seeming impossibility of achieving agreement, the CFM pass on to Item 3 on its agenda, at least for the present".⁸

b. Informal discussions with the French and the British indicate that they, as we, regard it as important to have at least one more discussion on Austria.

The consensus is that another public session would probably be useless and might be harmful. The Soviets have refused to go along with the approach of the French proposal and are not likely to be willing, as yet, to commit themselves publicly to a different attitude. Privately, it is possible that Molotov might be somewhat more frank. A second public session, moreover, might give the Soviets another chance for a propaganda statement whereas at the moment they are on the defensive resisting an offer of settlement sponsored by the French. For these reasons, it is recommended that Austria be considered next time in a secret session. Mr. Bevin may suggest this in a day or two, perhaps as the discussion on Item 3 approaches an end.

c. The tactical approach in a secret session should be substantially the same as was followed in the December 4 meeting.

Emphasis should be placed on our desire for a treaty; on our inability, after intense efforts, to reach agreement on a definition; on the fact that the USSR has seemingly rejected the approach of the French proposal, and on our consequent impasse. If Mr. Molotov can provide some concrete basis for negotiation, the German assets problem may appropriately be referred to the Deputies to formulate the agreements and disagreements in treaty terms. But unless Mr. Molotov can provide such a concrete basis, further discussion by the Ministers or further work by the Deputies at the moment would appear to be futile. We have done everything within our power to move the negotiations forward, and it is now time for Mr. Molotov to do his share.

d. One other point should be made in the secret session. We have agreed among ourselves that the U.S. claims to German assets in Western Austria should not be a stumbling block to agreement. If a concrete

⁸ For the report on the Council's 9th Meeting, December 4, see telegram 6326, Delsec 1521, December 4, from London, p. 747.

settlement can be agreed, and if our other treaty differences can be satisfactorily resolved, the U.S. should be willing to consider renunciation of whatever rights it might have under Potsdam to such assets. This is all the more important since it is reasonably clear that the Soviets believe the U.S. wishes to retain a permanent economic interest in Austria via German assets.

France and the UK will almost certainly join in a conditional renunciation of this kind.

Such a renunciation has the advantage of retaining our claims as a bargaining counter yet offering the Russians nothing until agreement is reached. It destroys the basis for the Soviet propaganda charge of imperialist penetration and constitutes another demonstration to Austrians and others that we seek no preferential status in Austria.

2. *Renunciation of Western Claims*

a. As stated above, an offer of conditional renunciation at the secret meeting may be advantageous and is recommended.

b. Unconditional renunciation at this time is not recommended.

Although the British and the French may ultimately be prepared to support such unconditional renunciation, they are inclined at this time to join in the view that our hold on assets in Western Austria can be used for bargaining purposes. Moreover, the recent currency agreement negotiated by the Austrian Government⁹ does not provide satisfactory assurances that the Austrians will be able to withstand Russian pressure for settlement on German assets. If, for example, we renounce our claims to certain of the more important industrial concerns in our zone, it is possible that the Austrians may be induced to turn them over to the Russians in exchange for a more or less satisfactory general agreement on German assets. Soviet influence might thus be extended even into Western Austria.

It is true that unconditional renunciation might offer a measure of desirable encouragement to the Austrian people and would undoubtedly represent a substantial political coup for Gruber and the present Austrian Government. Nevertheless it is believed that on balance conditional renunciation is the preferable course.

3. *Bilateral Negotiation*

a. At one time it was thought that if there was clear evidence that CFM negotiations regarding Austria were likely to fail, Gruber might be informally authorized to undertake discussions with the Soviets, within indicated limits, and with a clear understanding that any agreement arrived at must be acceptable to the other three powers and would be incorporated into the treaty.

⁹ For additional documentation on the topic under reference, see pp. 1167 ff.

It is now plain, however, (1) that the Austrian Government is not prepared to go much beyond the offer made by the French (the only likely additions are an increase to 50% of the percentage of oil exploration and refining capacity to be transferred; and 5 to 10 industrial plants), and (2) that the Soviets would probably not deal with the Austrians at this meeting. Gruber is aware of these considerations as well as of the fact that in bilateral negotiations the Austrian Government at the present time would operate at a great disadvantage.

It is unlikely, therefore, that Gruber will press for authority to conduct bilateral negotiations, but if the question is raised it is recommended that the problem of German assets, as well as the other problems in the Austrian treaty, be retained for settlement on a quadripartite basis.

4. *Troop Withdrawal*

a. The Austrian Government officially takes the position that an offer by the U.S. of troop withdrawal conditional upon acceptance by the other three powers should be made.

The argument is that this will relieve Austria of the heavy burden of the occupation, will give Austria a greater degree of control over German assets now in Soviet possession, and will enable Austria, if necessary, to resolve outstanding issues with the Soviets on a more equal basis.

b. It is recommended that such an offer should *not* be made.

Austria is almost unarmed and will be left subject to guerrilla warfare or worse on the Yugoslav border; the Soviets will be left in possession of all of the German assets which they now hold; these considerations would almost necessarily lead to bilateral negotiations in which the Austrian Government could be subjected to intense pressure; finally, it would be extremely difficult for the U.S. to reject even an unsatisfactory bilateral settlement since our major argument is likely to be the failure of the agreement to provide adequate protection for United Nations property interests.

5. *Special CFM Session on Austria*

If no agreement is reached on Austria at this session of the Council, consideration should be given to a request for a special session on Austria alone, say in May 1948 (within six months).

This is not likely to be accepted by the Soviets, and may not even be welcomed by the French. But it has certain obvious advantages: (1) it underlines our deep interest in securing an Austrian treaty in much the same way that was done by our insistence that Austria be first on the Agenda; (2) it demonstrates that fact to Austrians and

others; (3) it enables Austria to be somewhat more disassociated from Germany and treated on its merits as an independent problem.

6. *Incidental Aids for Austria*

Apart from a treaty certain incidental aids can be provided Austria which would be highly advantageous to her. The list of such aids can be extended but would certainly include reduction of the number of occupation troops, free interzonal trade (which is already guaranteed by Art. 4(a) of the Control Agreement for Austria¹⁰), and the turning over of border and censorship control to Austrians. The U.S. might well sponsor a resolution to appoint a Commission to determine and recommend to the CFM what steps can be taken on a Four Power basis to ease the burden of the occupation on Austria. Pending the results of such studies, however, the U.S. (perhaps with the UK and France) may be able to take partial action without waiting for Four Power agreement.

7. *Recommendations*

(a) That we join in recommending a secret session on Austria during the course of which (1) the Soviets would be pressed once again to indicate an acceptable basis for settlement, and (2) we would indicate a willingness to renounce our interests in German assets in Western Austria providing that a satisfactory treaty can be agreed;

(b) That the U.S. reject any proposals for troop withdrawal; for bilateral negotiations of the German assets question; or for unconditional renunciation of German assets in Western Austria;

(c) That in the event no significant agreements are reached on Austria (1) we support a special session of the CFM dealing exclusively with Austria and (2) that we consider immediate modification of unnecessary occupation controls.

740.00119 Council/12-1247 : Telegram

*The Minister in Austria (Erhardt) to the United States High Commissioner for Austria (Keyes)*¹¹

TOP SECRET
URGENT

LONDON, December 12, 1947—7 p.m.

143. Pass to General Keyes from Erhardt. Austria was topic of discussion at staff conference USDel today on basis memos submitted by Keyes¹² and Dodge.¹³ No basic conflict between two memos. Dodge

¹⁰ Agreement between the United States, the United Kingdom, the Soviet Union, and France on the Machinery of Control in Austria, June 28, 1946, Department of State *Bulletin*, July 28, 1946, pp. 175-178.

¹¹ Transmitted through the Embassy in London.

¹² *Ante*, p. 795.

¹³ *Supra*.

memo outlines immediate strategy Keyes memo outlines plan for achieving long-term objectives. No opposition voiced to Keyes memo.

Dodge memo after full discussion pros and cons of each issue comes up with following recommendations:

A. That US join in recommending a secret session of present CFM on Austria during course of which (1) the Soviets would be pressed once again to indicate acceptable basis for settlement, and (2) US would indicate willingness to renounce US property claims in German assets in Western Austria providing satisfactory treaty can be agreed;

B. That US reject any proposals for troop withdrawal; for bilateral negotiation of German assets; or for unconditional renunciation of German assets in Western Austria;

C. That in the event no significant agreements are reached on Austria (1) US support special session of CFM dealing exclusively with Austria and (2) that US consider immediate modification of unnecessary occupation controls.

The Secretary has reserved decision pending further study on special CFM session. No objections raised to (B) above. In view these developments recommend Keyes hold plans for possible trip to London if desired. Meanwhile Kretzmann and I will delay departure and keep you informed of developments.

Sent Vienna 143, repeated Department 6462 [Delsec 1544].

[ERHARDT]

740.0011 EW (Peace)/12-1647

Memorandum by the United States Representative on the Austrian Treaty Commission (Dodge) to the Secretary of State

[LONDON], December 16, 1947.

1. Mr. Bevin's last minute proposal¹⁴ that the Austrian matter be referred to the Deputies came as a complete surprise. In asking if there were any objections you and M. Bidault had no alternative, under the circumstances, but to agree.

When Bevin pressed Mr. Molotov, the latter obviously attempted to avoid such a reference, but finally suggested that two-thirds of the oil production and exploration area should be taken as a basis of agreement. Thus, Mr. Bevin gave Mr. Molotov the opportunity to appear to make a concession.

2. The two-thirds suggestion was not a concession. It represents the U.S. estimate of the total Soviet claim under their own definition of German Assets. It is even a step backward as it does not include the ten percent discount.

¹⁴ Bevin's proposal was made at the 17th and final meeting of the Council, December 15; see telegram 6479, Delsec 1548, December 15, from London, p. 770.

3. (a) The original French proposal suggested one-half of oil production. The U.S. Deputy objected to this as being too high. The Soviet two-thirds is the approximate equivalent of their total claims.

(b) The original French proposal also suggested one-third of the oil exploration area. The Soviet two-thirds is the approximate equivalent of their total claim.

4. As I see them there are these possible favorable developments in the exchange regarding Austria yesterday :

(a) For the first time the Soviets stated their major demand.

(b) That demand was framed in concrete terms. Thus, for the first time, the Soviets appeared to be abandoning their insistence on a definition, and accepting the idea of a concrete settlement.

(c) By implication Molotov seemed to be willing to accept the other major elements of the French proposal. This, of course, must be checked.

5. My guess is that the Soviet Deputy to Koktomov, who doesn't hold an important place in the hierarchy, will not be authorized to budge from the two-thirds oil demand. Our major efforts, therefore, will be concentrated on these two questions :

(a) Will the Soviets accept the other elements of the French proposal? (Certain Danube shipping properties, plus \$100 million in lieu of all other claims).

(b) To what extent will oil transferred to the Soviets be subject to Austrian law? (This may emerge as the critical question; if Austrian law is fully applicable, the percentages although important, are not altogether controlling.)

One or two meetings should suffice for these purposes. Thereafter, in accordance with Bevin's suggestion, I believe the matter can be dealt with, for the time being, through diplomatic channels.

Vienna Post File : Lot 54 F 57 : TOP SECRET : 711 Austrian Treaty

Memorandum by the Chief of Intelligence Coordination, Office of the Director of Intelligence, United States Forces in Austria (Kretzmann)

TOP SECRET

[VIENNA,] 29 December 1947.

Subject: Negotiations in London Regarding the Austrian State Treaty, 22 November to 17 December 1947.

1. Chronology

Throughout the week prior to the opening of the CFM Conference on 25 November tri-power conferences were held at the British Foreign Office between representatives of the State Department (Ginsburg, Williamson, Oliver, Goldsmith) and British and French experts on appropriate figures to be filled in the blank spaces of the French settle-

ment proposal, first submitted to the ATC in Vienna in October 1947 without specifications.

After the arrival of the US High Commissioner for Austria and the US Deputy for Austria the strategy to be used in the treaty negotiations was discussed with the Secretary and his staff. Although there were objections from members of the staff primarily interested in the German problem that a settlement of the German assets in Austria by means of payment from current production might prejudice the settlement of the reparations problem in Germany, it was approved to consider the French settlement proposal as basis for negotiations, without immediate commitment on our part.

After the first meeting of the Foreign Ministers on Tuesday, 25 November,¹⁵ it became clear that there would be no immediate consideration of the Austrian problem by the Foreign Ministers. On Wednesday the Foreign Ministers agreed to refer the Austrian treaty immediately to the Deputies, with instructions to examine the report of the ATC and the French proposal for settlement of German assets and to report back to them no later than Tuesday, 2 December.

The Deputies began meeting on the 27th and in four sessions subjected the French proposal to rather thorough examination. It came somewhat as a surprise that the French Deputy immediately presented the final figures without first securing an agreement in principle on the mode of settlement. Despite repeated efforts by the British and American Deputies, the Soviet Deputy refused to meet any more frequently and for any greater length of time than the absolute minimum. On Monday, 1 December, the Russian Deputy rejected the French settlement proposal on grounds that it did not do justice to the rights of the Soviet Union under Potsdam.

The report of the Deputies¹⁶ was presented to the Council on Tuesday, but was not discussed until the closing minutes of the session on Wednesday.

On Thursday, 4 December, the discussion of the Austrian matter was continued, but no progress could be made because the Soviets rejected the French proposal on grounds of being unjust to their rights under Potsdam and had no alternative proposal to make, except for Mr. Molotov's ambiguous suggestion to take 10 percent less than what they were entitled to under Potsdam. On Mr. Marshall's suggestion the Austrian problem was shelved temporarily.

On Wednesday, 10 December, Secretary Marshall announced that he would consider proposals for further action on the Austrian treaty

¹⁵ For reports on the meetings of the Council of Foreign Ministers under reference in this memorandum, see pp. 731-772 *passim*.

¹⁶ Document CFM (47) (L) 15, December 2, 1947, p. 798.

at Thursday's staff meeting. Two memoranda were presented at this meeting, the one submitted by Mr. Dodge, and the other by General Keyes. After some discussion of both of these on 12 December the Secretary reserved decision on whether to ask for a secret session of the present conference on Austria or on whether to ask for a special session of the CFM at a later date to consider the Austrian problem alone. There was no opposition by the members of the Secretary's staff to the proposals set forth in General Keyes' memorandum, which dealt with long-term strategy.

On Monday, 15 December, the Council of Foreign Ministers broke up on the German reparations question. During the course of the final debates, when Bevin reproached Molotov with having no counter-proposal to offer for a solution to the Austrian problem, Mr. Molotov suggested substituting two-thirds of the oil rights for the figures given in the French proposal. Mr. Bevin seized upon this and forced Molotov and the other two Foreign Ministers into agreeing to submit this proposal to the Austrian Deputies for consideration.

The Austrian Deputies met once again on 17 December and the Soviet representative proposed that his element submit an over-all proposal for settlement of German assets in Austria within a fortnight (1 January 1948). It was agreed that the Deputies should recess pending the receipt and study of this proposal and should meet again in London not later than 1 February 1948, the specific date of the meeting to be set by the US Deputy, as the next chairman, within five days of receipt of the Soviet proposal.

2. *Analysis*

The French proposal for settlement of the German assets problem had been introduced in outline form late in the sessions of the Austrian Treaty Commission but had not been discussed there. In brief, it provided for certain concessions to the Soviet Union in oil production, exploration and distribution rights, the outright award of the assets of the DDSG external to Austria, and the liquidation of the remaining German assets in the eastern zone of Austria and their redemption by means of a lump sum settlement payable to the USSR over a period of years, beginning after Austria had achieved minimum economic stability. The proposal was an over-all solution which provided for the protection of Austrian industry from extraterritoriality, with certain limited concessions, and included agreement on the remaining unagreed items of the treaty. Some misgivings were expressed regarding this settlement by members of the American delegation because it was concerned primarily and almost exclusively with the economic aspects of the treaty. It furthermore did not take into consideration the changed European situation brought about by the inauguration of

the European Recovery Plan. There was no guarantee that once the principle of the proposal had been accepted any limitation could successfully be imposed upon the Soviet attempts to raise the price of settlement. (For details of the French proposal and the figures inserted in London, see Appendix 1 containing the report of the Deputies for Austria to the Council of Foreign Ministers.¹⁷)

When the French proposal was rejected by the Soviet representative in the meetings of the Deputies, it was not clear whether he had rejected the principle of a lump sum settlement or had merely rejected the specific figures proposed by the French. In Mr. Molotov's discussion in the Council of Foreign Ministers session of 4 December this point was also obscure and was further confused by his proposal to accept 10 percent less than what the Soviet Union was entitled to under Potsdam.

When the discussion of the Austrian matter was indefinitely postponed by the Foreign Ministers, the members of the Austrian [*American*] delegation worked out proposals for further strategy on the Austrian treaty. One such proposal was submitted by Mr. Dodge¹⁸ (see Appendix 2, Annex A) and a second one by General Keyes¹⁹ (see Appendix 2, Annex B). There was no basic conflict between these two memoranda, since Mr. Dodge's proposal was concerned with the immediate objectives and General Keyes' memorandum with long-term objectives for Austria. General Keyes' memorandum had been previously coordinated with all the other members of the Austrian delegation.

In the ensuing discussions it became clear that one of the reasons the German group on the US delegation was objecting to the French method of settling the Austrian problem was the fear that payment of this obligation out of current production would prejudice the settlement of the German reparations problem. Mr. Dodge repeatedly pointed out the difference between the two insofar as the Austrian obligation was not to be considered as reparations but as a redemption obligation (see Appendix 2, Annex C). In connection with Mr. Dodge's proposal that the western elements consider renunciation of property rights to German external assets in western Austria a paper was prepared by the British Foreign Office (see Appendix 2, Annex D) which set forth a proposal regarding the eventual disposition of these assets. This paper was not presented for approval by the US delegation but indicates the trend of thinking in the British Foreign Office.

¹⁷ None of the appendices and annexes to this memorandum are printed here. Some of the documents included in the appendices are printed separately elsewhere in this volume. The Report of the Deputies for Austria is identified in the previous footnote.

¹⁸ *Ante*, p. 801.

¹⁹ *Ante*, p. 795.

The verbatim minutes of the last session of the Council of Foreign Ministers (see Appendix 2, Annex E for the pertinent extract) indicate clearly that Mr. Molotov had no intention of submitting a new proposal on Austria. When reproached by Mr. Bevin because he had no proposal of his own to make after rejecting the French proposal, Molotov spoke briefly of the figure of two-thirds to be substituted for the 50 percent in the French proposal regarding oil production. Mr. Bevin forced Molotov to submit this to the Deputies and secured the agreement of Mr. Marshall and Mr. Bidault to this proposal. At the Secretary's staff conference the following morning Mr. Dodge presented an analysis of this "proposal" (see Appendix 2, Annex F) which indicated that it was not a genuine offer.

Nevertheless Mr. Koktomov at the meeting of the Deputies was forced to elaborate this vague proposal of Mr. Molotov's into a genuine settlement proposal. He agreed to accept the principle of the French proposal and to supply detailed figures from the Russian side to substitute for the figures supplied by the French.

3. *The Soviet Proposal*

From all previous indications of the Soviet attitude on German assets it would be logical to assume that the terms of settlement proposed by the Soviet Union will be so exorbitant as to make acceptance impossible by Austria or the western powers. It is possible, however, that the Soviets may make an offer sufficiently reasonable to be discussed for the purpose of continuing four power discussions at least on one phase of current European problems. The submission of a concrete proposal by the Soviets will place the other Allies in the position of either accepting their demands or rejecting them as exorbitant. This latter move would place the western Allies on the defensive from the point of view of propaganda.

4. *Other Alternatives*

Before negotiations were left open by the surprise development of the last meeting, members of the U.S. delegation had considered a proposal for three-power recognition of Austria's sovereignty, the conclusion of the objectives of the occupation, and a three-power declaration refusing to recognize the legality of the Soviet seizures of German assets in their zone under Order No. 17. In view of the developments, this plan has been temporarily shelved, but it should be kept in mind if the further negotiations of the Soviet proposal collapses.

For the Director of Intelligence:
EDWIN M. J. KRETZMANN
Lt Col GSC
Chief, Intelligence Coordination

D. POST-CONFERENCE DISCUSSIONS WITH THE BRITISH AND FRENCH

740.00119 Control (Germany)/12-1747

*Memorandum of Conversation, by the Ambassador in the
United Kingdom (Douglas)*

TOP SECRET

[LONDON,] December 17, 1947.

I met Bidault in Room 228 at Claridge's at 3:00 p.m. this afternoon. Hervé Alphand was present as interpreter.

1. I expressed to Bidault my regret that discussions on the Ruhr, which I had previously mentioned to him on Saturday,²⁰ had not commenced before, but that this had been made impossible by the variety of other things that had to be done incident to the close of the CFM meetings on Monday.

2. I suggested to him that the discussions commence sometime between the middle and end of January, for the purpose of exploring our respective minds on the Ruhr problem in several different contexts, as follows:

(a) The present period of occupation, and the urgent problem of production as a catalyst for general European recovery when the Ruhr, as an instrument of aggression, presented no difficulty.

(b) During the post-occupational period, when production having been achieved, the Ruhr might again be used, either by Germany as Germany, or by Germany in collaboration with others, to dominate Europe or otherwise to disturb the peace of the Continent.

(c) Under conditions of a divided Germany; and

(d) Under the conditions which might exist in the event of an undivided Germany.

Bidault was quite satisfied with the approximate date for the commencement of the discussions. He said, however, that the matter should be, at the moment at least, very confidential.

3. As to the place, I suggested London, because this was the seat of the British Government on which more direct persuasion could be brought to bear, should the British appear to be somewhat immobile in the matter. To this Bidault agreed.

4. Bidault then said that he had talked with Bevin in the morning; that Bevin had put the Ruhr well down on the list of matters to be discussed, but that Bidault thought the key to the problem was the Ruhr, and that once it was resolved, the other matters would fall into place. Nevertheless, he considered the discussion of the Ruhr to be a part, as he termed it, of "a general package."

I told him the Secretary would talk with him about certain matters which should be discussed, and possibly agreed upon, to be put into

²⁰ December 13. No record has been found of the discussion under reference here.

effect in Berlin, but that the Secretary would mention them to him when he arrived.

Bidault said he feared division between Berlin and some other place, because the British might play one against the other. Moreover, he said Koenig was somewhat negative in his approach, but certainly that discussion should be commenced.

It was suggested that if discussions of the Ruhr took place in London, that possibly, should it be necessary, Clay and Murphy might come over for a brief interval.

5. Bidault said there were two matters which he wanted to tell me about. The first was that he feared there might be a rupture in diplomatic affairs between France and the Soviet. The second was that he thought that Benes would be evicted by the Communists in Czechoslovakia.²¹

6. He mentioned the reduction made by the Appropriation Committee under Taber for interim aid,²² and also the reduction in the appropriation for the support of Germany. This, he said, would be seized upon by the Communists as evidence of our wavering. Although he had told the Secretary that he need have no fear about public opinion in France, he thought perhaps that this statement should be tempered somewhat, because of his judgment that the Communists, while they would not be dominant, would be able to cause a little trouble.

7. As to the Saar, he said there were two matters. Of course, the first was one of finance, and the second was the matter of the gradual diversion of the Saar coal from Germany to France, until it finally became a part of the indigenous French coal. In this connection, he indicated that notification to E.C.O., as contemplated at Moscow, should, if possible, be made before the first of January. He picked this date, because after the first of January, the European Economic Commission succeeds E.C.O., and the Soviet will be represented on it.

8. As to new financing for France, he said that discussions had been had in Washington, and the Export-Import Bank had agreed to extend an additional loan to France secured by French securities held by French nationals in the United States. He said that he had given every assurance that the names of the French nationals would be kept secret. The United States Treasury is, however, a little bit sticky on the subject, and he asked if the Secretary would mention this matter to Snyder and clear it up. He said new financing was necessary, because the interferences caused by the Communist-inspired strikes had already cost France a substantial sum of money, and it had to be made up if interim

²¹ For documentation on interest of the United States in the maintenance of democratic government in Czechoslovakia, see volume iv.

²² For documentation regarding the legislation in Congress for interim European aid, see volume iii.

aid was to be sufficient to carry France through until the Marshall Plan came into effect.

The Secretary then came in,²³ and after the Secretary had left Bidault talked with me alone with no interpreter present.

Koenig, he said, was close to DeGaulle, and that if progress were made at Berlin without progress on the Ruhr, no French Government could stand. It would be attacked by the Left and by the Right, including DeGaulle. This was the significance of Koenig's relation to DeGaulle. I asked whether a satisfactory settlement of the Saar would not largely allay or prevent these attacks, and he seemed to be satisfied that it would.

[LEWIS W. DOUGLAS]

740.00119 Control (Germany)/12-1747

*Memorandum of Conversation, by the Ambassador in the
United Kingdom (Douglas)*

TOP SECRET

[LONDON,] December 17, 1947

Participants: Secretary Marshall
M. Bidault
Ambassador Douglas
M. Alphand (as interpreter)

The Secretary opened the conversation by saying that the failure of the CFM raised a number of important questions relating to Germany and the three western occupying powers.

First was the question of the relationship between the U.K. and U.S. zones on the one hand and the French zone on the other. The Secretary suggested a good approach to the subject would be for the French to examine the fusion agreement between the British and the U.S. Governments and to prepare a criticism, from the French point of view, of its provisions.

Bidault said that this suggestion seemed to be reasonable. He implied, however, that some time would be necessary to arrive at a fusion of the French zone with the other two zones and that this should be an evolutionary development. There were many questions to which it was related—the question of the Saar and the question of the Ruhr.

The Secretary then went on to say that in Berlin there were several steps which he hoped would be discussed and taken as soon as possible.

The first of these was currency reform. He thought that the matter would be proposed to the Allied Control Council in the hope that it would receive four power approval and provide a currency for all of

²³ See the memorandum of conversation, *infra*.

Germany. Should it fail to receive endorsement by the four powers, he hoped that it would be acceptable to the occupying powers of the three western zones. A sound currency was important to the rehabilitation of Western Germany—the production of coal, etc.—so that she could play her part in assisting European recovery.

The second step, he suggested, would be the removal of the French zonal restrictions on the movement of people and goods so that the zonal boundaries would constitute no interference to the circulation of people, particularly trade union leaders, and to the flow of commodities between the zones.

The third step, he said, might be the adoption, in so far as practicable, by the French occupying authorities of procedures within the French zone similar to those followed in the U.S.-U.K. zones. This would bring the zones into greater harmony by evolutionary processes.

The question of the Saar should be disposed of as soon as possible. The two important factors were, of course, financial adjustments within the U.S.-U.K. zones, and coal. France would have to make her own case before ECO for coal allocations.

As to the Ruhr, the Secretary said he was anxious that the French explore the matter with us and the U.K. He hoped, however, that no action would be suggested which might retard increased production. The problem divided itself into two parts. The first embraced a period when the production of the Ruhr had to be increased. Coal was the bloodstream of Europe; its production must rise so that it can become available in much greater quantities for European recovery. Production generally too must increase. During this period (which he called the short range one) of low production no question of security arose except as the pattern of things established then might give rise to security problems later. During the short range period, the occupying powers would be in control of Europe. The second (which he called the long range one) commenced when production was high and the occupational period was over. The Ruhr might then present a problem of security. Except for the possibility that methods adopted during the first, or short range, period might affect the long range, it was of the latter (that is, the long range) that it was hoped that there would be an exchange of views for the purpose of arriving ultimately at some satisfactory solution. He hoped that the exchange of views and discussion on this subject would be held in London.

As to the Secretary's remarks on the discussions and steps to be had in Berlin, Bidault at first did not quite understand. He indicated that London would be an acceptable place for discussions on the Ruhr though he thought all problems were related and should be considered

together. When, however, he understood that many of the steps to be discussed in Berlin could be taken more by administrative action than by formal agreement he indicated that what the Secretary had suggested was agreeable and that without entering a fusion agreement immediately offered no serious obstacle.

Bidault thought, however, that some of the questions could not be divorced from the Ruhr. Berlin might not be the best place for discussion of them since among other reasons Koenig was inclined to have a "negative" approach to the problems.

[LEWIS W. DOUGLAS]

CFM Files : Lot M-88 : Box 104 : Anglo-US-French Conversations

*British Memorandum of Conversation*²⁴

TOP SECRET

[LONDON, undated.]

Mr. Marshall paid a farewell call on the Secretary of State at the Foreign Office at 6 p.m. on December 17th. The situation resulting from the breakdown of the recent meeting of the Council of Foreign Ministers and other subjects concerning Anglo-American relations were discussed in a conversation lasting 1¼ hours.

Germany and the General European Situation.

THE SECRETARY OF STATE said that the problem was to decide what we should now do. He had discussed the position with M. Bidault that morning. His own idea was that the problem should not be isolated into a mere quarrel between the western Powers and the Soviet Union. The issue, to use a phrase of the American Ambassador's, was where power was going to rest. His own idea was that we must devise some western democratic system comprising the Americans, ourselves, France, Italy etc. and of course the Dominions. This would not be a formal alliance, but an understanding backed by power, money and resolute action. It would be a sort of spiritual federation of the west.

²⁴ This memorandum was presumably prepared by Frank Roberts and copies were given to Ambassador Douglas; see footnote 30, p. 822.

In telegram 6585, December 22, from London (*Foreign Relations*, 1948, vol. III, p. 1), Chargé Gallman transmitted an "expurgated record" of this conversation between the Secretary of State and Foreign Secretary Bevin, as well as of the conversation between the two officials on December 18 (see p. 827). Bevin, who was under considerable pressure from Foreign Minister Bidault to be furnished a copy of the record of these conversations, asked for Marshall's approval to have the "expurgated record" given to Bidault (840.00/12-2247). Telegram 5350, December 24, to London, not printed, authorized Chargé Gallman to inform Bevin that the Department had no objection to his showing Bidault the suggested record of the December 17 and 18 conversations. Gallman was instructed, however, to make it clear to the French that the U.S. record showed that Secretary Marshall indicated that he had not definitely approved any particular course of action and he hoped to receive specific British proposals before making a final commitment (840.00/12-2247).

He knew that formal constitutions existed in the United States and France. He, however, preferred, especially for this purpose, the British conception of unwritten and informal understandings. If such a powerful consolidation of the west could be achieved it would then be clear to the Soviet Union that having gone so far they could not advance any further.

The Secretary of State would have to make a statement in the House of Commons tomorrow, but he would say little about the future and he thought it better that no public pronouncements of future policy should be made until our planners got to work. He himself favoured the whole problem of Germany, e.g. frontiers, the three zones, political organization, economic rehabilitation, balance of payments, etc., being discussed between British, American and French officials. In considering the future form of German political organisation, we must always aim at an eventually united Germany. Then any German Irredentist movement for unity would come from the west, and not be a Russian-inspired movement coming from the east. Although we must consider the problem very carefully our reaction should also be quick and resolute.

THE SECRETARY OF STATE said that they would also have to consider the problem of security in which France was even more vitally interested than we were. There had been some idea of a three-Power treaty on the lines of the original Byrnes Treaty. He himself thought it might be better to have some treaty or understanding which also brought in Benelux and Italy. The essential task was to create confidence in western Europe that further communist inroads would be stopped. The issue must be defined and clear.

THE SECRETARY OF STATE then told Mr. Marshall for his private and confidential information that he had been much fortified by a decision of the Council of the T.U.C. which had just met and which had with only one dissenting voice

- (a) approved the Secretary of State's foreign policy;
- (b) pledged T.U.C. support for the Marshall Plan; and
- (c) decided to oppose the communists resolutely if they attempted

to start any trouble here.

He might be able to say more about this tomorrow after he had discussed the position with Mr. Deakin.

Summing up, the SECRETARY OF STATE said that he now felt that the spiritual consolidation of western civilisation was possible, and France could then come back as a great Power. The form in which it should be done required more study and nothing would be lost if we spent a few days in discussions between our officials. He had in mind confidential Anglo-American discussions on the same lines as the recent

talks we had had about the Middle East. But there should above all be no public pronouncements about future plans until we had our ideas clear.

MR. MARSHALL said that he felt that they must distinguish between the material and spiritual aspects of this programme. He had tried to cover the former in his recent speech at the Pilgrims Dinner²⁵ on the lines that if those concerned were reasonably sensible, material regeneration should be the outcome of the European Recovery Programme, the purpose of which was the rehabilitation of the European patient. He had no criticism of Mr. Bevin's general ideas. But he thought there should be an understanding between the two of them as soon as possible on their immediate objectives. He felt that what was already being done on the material plane should now be given greater dignity. But it was not necessarily [*necessary?*] to write everything down in detail. What was needed was a clear understanding. He was very willing to have matters discussed with a view to arriving at such an understanding. Indeed there was no choice in the matter. They had to reach such an understanding. They must take events at the flood stream and produce a coordinated effort.

THE SECRETARY OF STATE said that he would like, with Mr. Marshall's approval, to set up an Anglo-French official committee to discuss matters affecting the French and ourselves. Then there could also be a wide official body, including also the Americans, which would discuss not only the Ruhr but the whole gamut of problems. This body could be directed to work out plans and policies.

Germany—Reparations Deliveries.

THE SECRETARY OF STATE then said that there was a difference between the British and the Americans over the question of deliveries of capital reparations to the Soviet Union.²⁶ The matter had been discussed in Moscow between them and he thought it had been agreed that they should proceed with the agreed deliveries from the western zones to the Soviet Union and Poland as well as to the other Allies. What was to be done now was mainly a question of tactics. He had discussed the matter with the Prime Minister and his colleagues, and they all felt that it would be a mistake to break this agreement with the Soviet Union, more especially if the Soviet Union was not going to receive current reparations. Now that the level of industry had been agreed at 11.5 million tons the amounts were not so great after the I.A.R.A. countries had been satisfied. He felt it would be playing into the

²⁵ For the text of the speech which Secretary Marshall delivered before the Pilgrims Society in London on December 12, 1947, see Department of State *Bulletin*, December 21, 1947, pp. 1201-1203.

²⁶ For additional documentation regarding United States reparations policy, see pp. 1104 ff.

Russian hands if we failed to deliver capital reparations. He had never himself been happy when Mr. Byrnes had stopped such deliveries from the American zone. He himself had been in a difficult position. He had never refused, but he had delayed. He understood that the Americans felt strongly on this subject, but he wished them to understand the British point of view.

MR. MARSHALL said that he intended to take up this question with the American Cabinet on his return to Washington on Friday, and then to go into it with the State Department. He wanted also to find out the political situation in America. He understood that there was very strong feeling in the Appropriations Committees of Congress. These were the very committees which were of vital importance for the success of the European Recovery Programme and of the programme for the rehabilitation of Germany. The present American idea was, therefore, to continue deliveries to the other I.A.R.A. powers and to collect and store the deliveries for the Soviet Union without actually handing them over. He would, however, survey the position and see what could be done.

The SECRETARY OF STATE then explained that he had arrived at the Potsdam meeting when this question had already been partly discussed. It was no secret that he had disagreed with the line taken by President Roosevelt and Mr. Churchill on this and it was unfortunate that the United States had come so near to a commitment at Yalta. He had studied the matter very closely himself as a member of the Coalition Government and he had wanted to keep this capital reparations issue completely separate from the rest of the Potsdam Agreement. He and the Prime Minister felt committed to deliver what we were covenanted to deliver—that and no more. On the other hand, he was most anxious to avoid any conflict with the Americans over this. There were bigger things going on in western Europe which should surely take precedence over this question of a few million dollars.

Germany—Future Organisation of the Zones.

The SECRETARY OF STATE then returned to Germany. He had only received a brief account from General Robertson of his talk with General Clay and presumed that General Clay would be reporting to Mr. Marshall.²⁷ He would himself require time to study this report

²⁷ An unsigned memorandum of conversation between General Clay and General Robertson, dated December 16, 1947, reads as follows:

“Reparations:	Proceed to allocate. Deliver to IARA. Earmark and hold for Soviet Union.
“Currency:	One more quadripartite effort. If it fails, bi or tripartite reform to be effected without delay.

Footnote continued on following page.

further. He gathered that General Robertson and General Clay were proposing action which would not be over-dramatic but evolutionary. They seemed to contemplate expanding the existing Economic Council to twice its size and to give it greater powers, for example, over taxation. But he understood that the opinion of members of the existing Council would be sought first. He was himself a little uncertain whether the necessary facilities, e.g. housing, existed for a German Administration in Frankfurt. However, he had had no time to discuss the matter yet, and suggested that he and Mr. Marshall should see General Robertson and General Clay in the morning. (A meeting was arranged accordingly for mid-day on December 18th).

Germany—Currency Reform.

MR. MARSHALL said that he would like to raise the question of reforming the German currency. General Clay had planned for this and thought that it was even possible that the Russians might agree. General Robertson was, he understood, less optimistic. But we must take some risks. (The SECRETARY OF STATE interjected that we must stop talking and take action.) MR. MARSHALL continued that the Americans had already printed enough new notes for the whole of Germany, including the Soviet Zone. These had been printed in Washington and would soon be in Germany. The original idea had been to have the notes ready in case the Russians had tried to flood the western zones with any currency of their own. Now, however, the notes were there to be used for a genuine currency reform. Preparations had had to be made in good time because it took several months to print the notes. He emphasised that there would be no trouble this time such as they had had with the Russians before over sending plates to Leipzig or Dresden for concurrent printing in the Soviet Zone.

The SECRETARY OF STATE asked whether this move would be of any help as regards the problem of current reparations and whether occupation costs could be covered in this way.

- | | |
|-------------|--|
| “Political: | Increase strength present Council.
Add some political responsibilities looking to elections in spring or early summer—nothing dramatic now but slow progress. |
| “French: | Start integration US-UK staffs below Directorate level.
Wait for French proposal to join.
Give French copy of bi-zonal agreement for their comments and suggestions—and for later conference.
Meantime, try to get French to follow pattern in bi-zonal to fullest extent possible to make bi-zonal fusion easier when agreed.
Start at Berlin to negotiate gradual absorption of Saar economic burden due to loss of coal revenue.” |

(CFM Files, Lot M-88, Box 104, Anglo-US-French Conversations)

MR. MARSHALL said he could not answer that without further reflection. But even if the Russians did not agree and even if there were no fusion of the three zones, the move would in itself be a good one from the purely economic point of view as currency reform was badly needed. General Clay would make a proposal to the Control Council in Berlin. Meanwhile, Mr. Marshall emphasised that the above information should be regarded as very confidential.

MR. MARSHALL told the Secretary of State that he had talked to M. Bidault that afternoon.²⁸ M. Bidault, like the Secretary of State, also wanted conversations at the highest official level but seemed to be thinking on rather different lines. The Ruhr had exuded from every sentence spoken by M. Bidault. Mr. Marshall explained that he wanted the French to take such immediate steps as they could which would not compromise the desired evolution in Germany. He had suggested to M. Bidault a plan of action on the following lines:—

(a) that the French should take the Anglo-American Bizonal Agreement as a working document and submit their comments on it;

(b) that there should be immediate discussions between the Americans, the British and French in Berlin with a view to loosening up the boundaries between the Zones; and

(c) although he did not press this, he offered M. Bidault every opportunity for an immediate discussion of the Saar. This problem was, however, more difficult for the Americans than for the British. If the French got their way over the Saar coal and maintained their Ruhr allocations, this might mean a loss of two million dollars a month. It would also be for M. Bidault to obtain the concurrence of E.C.O. in the deliveries of Saar coal exclusively to France. He realised that this would help France politically and especially in regard to French public opinion.

Another problem which affected France, and Italy also, was how to get trade back into its normal channels. At present, owing to hard currency difficulties, the U.S. was losing its European trade and this was making difficulties with Congress. The European Recovery Programme should, of course, help to restore trade. He wanted to see the ports of Antwerp and Rotterdam built up again and the normal flow restored with Scandinavia. Then at least the blood could begin to flow again through the arteries of Europe. Although this was not an immediate issue he wanted to discuss it soon with M. Bidault. But the first stage was for the French to see how many things in the Anglo-American Bizonal Agreement could be followed quietly by them in an evolutionary way.

The SECRETARY OF STATE emphasized that he was very anxious that there should be no boundaries between the three Western Zones.

²⁸ See the memorandum of conversation, *supra*.

MR. MARSHALL said that he had a very genuine desire to settle as many details as possible. He pointed out that General Clay had had his difficulties in the past because of the limited nature of his appropriations and the constant Congressional interest. He was, however, in a better position now. Much could be done immediately but quietly.

The SECRETARY OF STATE then said that on the economic side he had been turning over in his mind the possibility of raising steel production from the present four million level to six million tons a year. On the present basis of 1550 calories ration scale, and with the present level of four million tons, all the money which the Americans were ready to put into Germany, even after the Fusion Agreement, was used up without any improvement in German standards. But if coal production could be increased and steel production brought up to cover the 1550 caloric scale unaided, then further U.S. help could be used to raise standards in Germany. He was convinced that our policy must be to build up standards in our Zones far beyond those which the Russians could produce in their Zone, and that we should aim at such an improvement by next spring. We must also get the French to agree to the removal of Zonal boundaries.

MR. MARSHALL said that he did not think they could expect to reach a trizonal agreement in under seven or eight months, and certainly not before the spring.

The SECRETARY OF STATE then turned to Germany and said that he would like to put rather more crystallised views before Mr. Marshall after the Cabinet had considered the situation, possibly next week. After that, he would like to follow the pattern of the recent Middle East talks,²⁹ using an official team which could either start with us and the Americans alone, or include the French from the start. MR. MARSHALL said that he was quite agreeable to this.

Austria.

The SECRETARY OF STATE then turned to Austria. He understood that at the first meeting of the Deputies the Russians had indicated that they might be ready to put forward new proposals as early as January 1st and he felt that they might now, under the pressure of public opinion, be in a more reasonable mood. On the other hand, he understood that the American attitude was that they did not wish to discuss any new Russian proposals before February 1st. He felt himself that if the Russians were ready earlier then the western Powers should not appear to be delaying matters.

²⁹ For documentation on the talks in Washington in October–November 1947 between the United States and the United Kingdom on political, military, and economic subjects concerning the Middle East and the Eastern Mediterranean, see the Pentagon Talks of 1947, in volume v.

MR. MARSHALL said that it was just a possibility that the Russians might be more reasonable, although he would not put it higher than this. If the Russians were ready to put forward their proposals in January he would look at the problem and arrange an early meeting.

[Here follow sections of the memorandum of conversation headed "Anglo-French Military Conversations", "Far East", "Arab Reactions to the General Assembly's Decision on Palestine" (included in the documentation on Palestine presented in volume V), "International Refugee Organisation", "General Soviet Policy", and "Arms for Latin America". Except as noted above, none of these sections is printed.]

740.00119 Control (Germany)/12-3047

*British Memorandum of Conversation*³⁰

TOP SECRET

[LONDON, undated.]

The Secretary of State saw Mr. Marshall at 14, Princes Gate at 12 noon on December 18th to hear from General Robertson and General Clay their ideas for future developments in Germany. The United States Ambassador, Mr. Douglas, Mr. Murphy, and Mr. F. K. Roberts were also present. The party stayed to lunch and were joined just before lunch by the United States Ambassador to Poland, Mr. Griffiths.

GERMANY

The SECRETARY OF STATE said that as General Clay and General Robertson were present, he wanted to see whether they could reach a complete understanding between the two Secretaries of State, within which the two Commanders-in-Chief could work.

MR. MARSHALL, after explaining that General Clay was under the War Department, said they should define their objectives.

General Clay said that the problem fell under two headings:

- (1) what America and Britain could do alone, and
- (2) what they could do with France.

³⁰ The source text was sent by Waldemar J. Gallman to John D. Hickerson under cover of the following letter, dated December 30, 1947:

"Frank Roberts had promised Douglas that before his departure for the States he would give him records of the talks of December 17 and 18 between Mr. Marshall and Mr. Bevin. Unfortunately, Roberts was able to give Douglas before his departure only a record of the talk of December 17. He has now sent me the record of the December 18 talk, and I am enclosing two copies, one for your use, and one for the Ambassador. Would you please see that he gets it."

This record, like that of the meeting of December 17, was presumably prepared by Roberts.

See also footnote 24, p. 815.

As regards (1). the first problem, in his view, was currency reform. German economic rehabilitation depended upon this. But as there was still no final break with the Soviet Union, and he hoped it could be avoided, he felt we should make a further effort to proceed on a quadripartite basis, however many practical difficulties this might raise. Nor did he think it absolutely impossible to secure Soviet agreement to currency reform when he proposed it at the Control Council. If, however, the Russians did not agree by the next Control Council meeting ten days later, then the Western Zones, if possible including the French, should go ahead. The money was already in Germany and action should be taken. His reasons for thinking the Russians might agree were:

- (i) the effect of the recent London breakdown;
- (ii) the Russians did not wish to appear to be responsible for dividing Germany; and
- (iii) they were confronted with a *fait accompli* in that the Western Powers had the money.

He knew that General Robertson was a little more worried about administrative difficulties in connection with this plan.

GENERAL ROBERTSON explained that in his view this was largely a technical problem. He would not himself have advocated a further attempt on a quadripartite basis. Moreover, this was part and parcel of the whole economic problem, and other economic questions should not be tied up too closely with finance. Nor was he as hopeful as General Clay of securing Russian agreement. If quadripartite agreement were restricted to currency reform, he agreed that he would not like it to be connected with restrictions on wages, etc., which had hitherto been treated as part of the currency reform. He would in any case like the financial experts to spend a day or two examining the plan since it was essential to do nothing which might hamper further developments in the Western Zone.

The SECRETARY OF STATE said that he was worried about the Soviet method of fixing wages and prices in connection with currency reform. He had been impressed by what Mr. Jack Jones, who had just returned from Germany, had said to the effect that under the Soviet system, Trade Unions were prevented from functioning in their normal field of fixing wages. Then one got into the realm of incentives, e.g. over coal, but these lost their effect and production then fell. The Communist method, based on Lenin, of fixing wages ruined Trade Unions, and we wanted to be sure that this would not be the effect of the proposed currency reform.

GENERAL CLAY said there was no need to tie the two matters up. There was already an agreement concerning prices and wages in

existence. But in so far as Russia had herself changed the prices, we were not bound to consult her or bring her in if we also proposed changes. He agreed therefore that our initial proposal should be based on:

- (a) devaluation;
- (b) bringing in the new currency; and
- (c) covering the internal national debt.

The SECRETARY OF STATE emphasized that he did not want the Trade Unions to become an appendix to communism or any other party. He said in confidence that the British Trade Unions had yesterday come out in favour of (a) a free wages policy; (b) opposition to communist infiltration; (c) support for his foreign policy; and, most important, (d) support for Marshall Aid. If Trade Unions could not negotiate over wages, they would only make trouble politically. He had put this strongly to M. Ramadier last February, and in England we left wages to free negotiation even under nationalization. He wanted the German Trade Unions to grow on the British and American model with agreements which were executive and not resulting from political decrees. He wanted the Western zones to be an example to the rest of Germany.

GENERAL CLAY was definite in maintaining that the new plan was not inconsistent with these objectives. In reply to a question, he said that the Central Bank issue was based on Berlin under quadripartite control. There was no question of retracting or expanding credit through the Central Bank, although this was a function of banks in the Western zones.

MR. DOUGLAS raised the question of revising the German debt, and asked whether the Soviet Government has already agreed.

GENERAL CLAY said they had agreed. In fact, on this point there was more difference between the British and Americans, though these differences could be easily resolved.

GENERAL ROBERTSON said that the external rate of exchange would be part of the proposed new agreement.

MR. MARSHALL emphasized that in making a quadripartite approach we should make it clear that we really wanted Russian agreement and were not merely making a gesture, expecting their refusal. Beyond that we could not go. But he was most anxious in regard to the general international situation to avoid a "frozen front", which was tragic to contemplate.

GENERAL ROBERTSON confirmed that there should be no difficulty about the first approach, subject to a rapid technical examination.

MR. MARSHALL said that the respective risks must be valued but one must not risk losing great opportunities through fear of taking smaller risks.

GENERAL CLAY said the next problem was to get a live working political organization. His idea, shared by General Robertson, was to stop short for the moment at expanding the economic council, adding slowly but surely to its political responsibilities, until it functioned as a government in all fields except those of external affairs and the export-import programme. But there should be no formal constitution. He looked eventually to the creation of an elected representative German Government, at all events in the two Zones. He proposed to take the British paper on political organization, discussed at the Council of Foreign Ministers, as a basis, subject to some changes mainly concerned with doing more through the *Länder*. They would work, surely but not dramatically, unless of course they had to react rapidly to some *fait accompli* by the Russians in the Eastern Zone.

The SECRETARY OF STATE said that he thought the Russians might, for propaganda reasons, publish the proposed draft treaty. He had therefore instructed the Foreign Office to produce secretly our own draft treaty which we would show to the United States to guard against that eventuality. He wanted our basis for action to be preparation for an all-German Government so that any Irridentist German movement would be based on the west rather than on the east. General Clay's proposals would need more thinking out and there would have to be further consultation to get them into the right shape and form and ensure that they did not conflict with the principles we had proclaimed at Moscow.

GENERAL ROBERTSON said that the proposed expansion of the present Council would not offend against the above principles, nor hamper the eventual unification of Germany. He thought a Bizonal Government should be constituted by the summer and they must not be too slow in acting.

The SECRETARY OF STATE then said that in his statement that afternoon in the House of Commons he would emphasize that there had been no cut and dried plans by the Western Powers. We had all held our hand in the hope of the London meeting of the Council of Foreign Ministers being successfully concluded. We had hoped against hope. We could not leave matters as they were. He did not, however, expect the German question to be debated until the House reassembled late in January. Then he could not leave matters nebulous. By then we must at least be able to show some sign posts. We could apply our minds to the problems over the Christmas holidays, and we should expect recommendations from the two Commanders-in-Chief early in January.

GENERAL CLAY said that he and General Robertson could produce programme for submission to their Governments by January 10th.

MR. MARSHALL said that anything on which General Robertson and General Clay were agreed would probably be accepted by the United States Government. He said they had leant over backwards to the point of inviting criticism in doing nothing which would prevent agreement in the Council of Foreign Ministers. He had himself hoped that three or four things, including an Austrian settlement, might have emerged out of the recent meeting. The difficulty was that we had been so honest that no one would believe us, and we might well be criticized for being exceptionally naive.

The SECRETARY OF STATE said that he thought that Mr. Molotov had intended to keep the meeting going for another two days. The Soviet Government must now, like us, be thinking hard.

MR. MARSHALL said that the Russians had at last run up against a solid front. He was, however, most anxious that they should not be misled by any wishy-washy press articles, either here or in America. He complained of today's *Times* editorial which he described as mushy. Mr. Vishinki's tirades in America and Mr. Molotov's statements here were all designed for propaganda effect to weaken the combined front. We should not fall for such propaganda.

GENERAL CLAY said that there was a third question concerning the future of the Western Allies in Berlin. They would obviously have difficulties there but their intention was to put up with minor annoyances and to hold out in Berlin as long as possible. If things became too tough, they would have to refer to their Governments, but they would not bring the question up until it developed. In reply to a question from Mr. Marshall, he said that they had adequate resources on which to live in Berlin for some time.

GENERAL ROBERTSON then raised the question of French participation. He and General Clay thought in the same way. The bigger questions, such as security and the Ruhr, must be dealt with on a Governmental plane and were not the business of the Commanders-in-Chief. But they must work towards Trizonal fusion. He hoped the French would send better people to Berlin, who could then be educated and worked round. After this had been done, a Three Power Conference would be necessary to conclude a settlement. He thought these Trizonal talks could only take place effectively in Berlin where they would not be dramatized. He did, however, wish to emphasize from the German point of view that it would have a very bad effect, and would affect the German economy including steel and coal production, if it were known that the future of the Ruhr, and more particularly the possible separation of the Ruhr from Germany, were being discussed. He thought this most important.

MR. DOUGLAS raised the question whether any notification to E.C.O. regarding the Saar coal should not be made before the end of the year,

since E.C.O. then went out of existence and its successor would include a Soviet representative. It was agreed to consider this, although the practical difficulties would be very great.

[Here follow sections of the memorandum of conversation headed "Indonesia", "Talks About the Far East", and "Arms for Latin America". None of these sections is printed. For documentation regarding the interest of the United States in the nationalist opposition to the restoration of Netherlands rule in the East Indies, see volume VI.]

CFM Files : Lot M-88 : Box 104 : Anglo-US-French Conversations

*Memorandum of Conversation, by the Political Adviser for
Germany (Murphy)*³¹

SECRET

LONDON, December 18, 1947.

I attended a meeting between Secretary of State Marshall and Mr. Bevin at 14 Prince's Gate in company with Ambassador Douglas, Generals Clay and Robertson, and Mr. Frank Roberts (private secretary to the British Foreign Minister) today.

Before lunch there was a general discussion including certain matters relating to Latin-America, the Far East, Australia, Canada, Indonesia and Burma which are not pertinent to this memorandum.

It was agreed that as a result of the adjournment of the recent meeting of the Council of Foreign Ministers in London that the US/UK Military Governments in Germany would proceed to achieve certain results in bizonia, carefully avoiding any dramatic moves or spectacular statements.

German currency. It was agreed that a further effort should be made to obtain four-power agreement in the Control Council regarding a new German currency. This involved a discussion regarding wages and price controls and emphasis was laid on the point that trade unions cannot function without a balanced relationship between prices and wages. Mr. Bevin was particularly insistent on this point.

Political Government and Western Germany. It was agreed that the Military Governments should work out considered plans for a political structure in bizonia but that there should be no unseemly haste. The views of the German population are to be considered and it might be found wise not to name as a government for Western Germany whatever political structure might be developed. There should

³¹ The source text was transmitted by Murphy to Hickerson on December 20, 1947, under cover of a letter which read in part as follows:

"As you know, right before departure from London I attended the meeting at Lew Douglas's house. I presume that you have been filled in about it either by the Secretary or Lew. I made a few rough notes of the meeting and I enclose a memorandum for your personal information."

be ample consultation with the Germans themselves. Both Mr. Marshall and Mr. Bevin seemed content to leave the details and procedure very much to the discretion of Generals Clay and Robertson. The Economic Council would undoubtedly form the nucleus for the new organization.

Control Council. There was discussion of the future of the Control Council and of our situation in Berlin. There was joint determination to remain in Berlin and to continue functioning on a quadripartite basis under the agreement of November 4, 1944.³²

French Participation. It was to be made amply clear that the French were welcome whenever they evinced sufficient interest to participate on a trizonal basis. There was no intention to force this upon the French but rather to allow the initiative to come from the French. The political difficulties which might arise in the event of French participation were recognized, particularly should the French insist upon some form of veto power and also desire to tie the Ruhr and Rhineland issues in to an agreement for a trizonia.

The Ruhr. The British manifest a certain coyness about the Ruhr and GENERAL ROBERTSON spoke with some emphasis against the early injection of this issue. He did not believe that concession should be made to the French on this score in order to induce them to join up on a trizonal basis.

MR. MARSHALL mentioned that he had told Mr. Bidault that the Anglo-American fusion could be taken as a basis for discussion with the French regarding their eventual participation.

It was agreed that conversations would take place in Berlin with a special French team who are being designated (according to M. Alphand, they will include de Carbonnel, Leroy-Beaulieu and some others) regarding trade relations with the French Zone, the matter of zonal boundary relations for the movement of persons and goods. MR. DOUGLAS mentioned the question of the Saar coal and the relation with ECO. This will be the subject of discussion with the French team in Berlin. It was not believed possible to credit the French with the Saar coal production as a part of French production. This would mean allocation of Ruhr coal to satisfy the needs of the French Zone and a readjustment of ECO allocations as ECO goes out of existence on January 1 and is replaced by a committee of ECE in which there is Russian participation. It was considered undesirable that the new body should become involved in the decision of this

³² On November 14, 1944, the representatives of the United States, the United Kingdom, and the Soviet Union on the European Advisory Commission in London signed an Agreement on Control Machinery in Germany. For text, see *Foreign Relations, The Conferences at Malta and Yalta, 1945*, p. 124, or Department of State, *Treaties and Other International Acts Series (TIAS) 3070*.

matter. MR. BEVIN discounted, however, the Soviet participation, pointing out that the Soviet Union would not exercise a veto power in ECE.

Later at lunch there was a discussion regarding dismantlings and reparations deliveries from the Western Zones. MR. BEVIN's opinion seemed to be unchanged regarding the obligation to deliver to the Soviet Union the share of dismantled industrial equipment to which the Soviet Union would be entitled under the Potsdam protocol. MR. MARSHALL stated that he would have to reserve his opinion on this subject until he had an opportunity to discuss it in the Cabinet in Washington, where there was some divergence of view. GENERAL CLAY had suggested a compromise solution by which dismantlings and allocation would continue and the share to which the Soviet Union would be entitled under the Potsdam protocol would be placed in some form of escrow pending the development of the general situation in Germany.

[ROBERT MURPHY]

740.00119 Control (Germany)/12-2247

*The French Ambassador (Bonnet) to the Secretary of State*³³

No. 430

WASHINGTON, 22 December 1947.

MR. SECRETARY OF STATE: In the course of the meeting which you had in London on December 18 [17] with Mr. Georges Bidault,³⁴ you were good enough to inform him of your interest that conversations concerning Germany take place in Berlin and at London.

The Minister of Foreign Affairs has instructed me to inform you that he is disposed to accept the proposals which you made him on this subject, the terms of which were specified at your meeting with him.

I.—With respect to a certain number of urgent technical problems, Mr. Georges Bidault agrees that French representatives in Germany should proceed as soon as possible to exchange views with their British and American colleagues at Berlin and under the authority of their Commanders in Chief on the following points:

1. The French representatives will be invited to make a critical analysis of the measures which have been taken by the American and British authorities with a view to constituting the bizonie. At the same time they will set forth their conceptions of the organization of a fused zone but without implying in any way a decision relative to the fusion of the French zone.

2. The French representatives will study with their American and British colleagues the measures which might eventually be put

³³ The source text is marked "informal translation".

³⁴ See the memorandum of conversation by Ambassador Douglas, p. 813.

into effect in the French zone with a view to harmonizing the activity of the Allies in the western zones.

3. The proposals relative to currency reform which are to be made by the American and British Commanders might, in case they are rejected by the Soviet authorities, become the subject of studies looking forward to their being adopted in the three other zones.

4. Views will be exchanged concerning the methods best adapted to facilitating the movement of persons and goods between the western zones without changing their present political situation.

5. The question of the financial arrangements between the Saar and Germany, as well as that of Saar coal, will be the subject of immediate negotiations in view of the urgency of arriving at an agreement on these two points. It is understood that it will be up to France to win acceptance in the ECO of the solutions on which an agreement has already been reached between experts in Berlin and which will be notified by the three powers to this body.

6. Finally, means will be examined whereby credits placed at the disposal of the western zones may be utilized in such a way as to facilitate as broadly as possible the reestablishment of commercial exchanges between western Germany and her neighbors.

As you were good enough to make clear to Mr. Georges Bidault, these conversations will in no way prejudice political decisions, and the question of the fusion of the three zones will not be raised at Berlin.³⁵

II.—At the same time as these urgent technical problems are being studied, long-term political questions which arise concerning the German settlement, particularly the future status of the Ruhr, which is of the very first importance for France, must be considered. Mr. Georges Bidault agrees that these conversations should open in London in the second half of January or even sooner if that is possible.

Please accept [etc.]

H. BONNET

³⁵ A memorandum of December 31, 1947, from Samuel Reber to Under Secretary Lovett, comments on this paragraph as follows:

"With reference to Paragraph 6 on Page 3 of the French note, the records of the conversations in London indicate that the Secretary proposed that the fusion of the three zones would be an evolutionary process which should take place after the French had an opportunity to examine the US-UK fusion agreement and after the removal of the French zonal restrictions on the movement of people and goods. It is our further understanding that no pressure would be brought to bear on the French to bring about this fusion but that discussions in respect to the matter might take place as soon as the French indicated their study was complete. Apparently no definite proposal to discuss fusion in Berlin was made. The French throughout have insisted that these discussions should take place elsewhere, to which no objection has been raised." (740.00119 Control (Germany)/12-2247)

In a memorandum to Reber on January 5, 1948, Assistant Secretary of State Saltzman commented as follows:

"Your proposed memorandum to Mr. Lovett dated December 31, 1947, conforms with my understanding regarding the talks with the French in Berlin, both from what I remember in London and what I have heard and seen since returning here." (740.00119 Control (Germany)/12-2247.)

V. THE OCCUPATION AND CONTROL OF GERMANY

A. PROBLEMS OF THE QUADRIpartite CONTROL OF GERMANY; PARTICIPATION BY THE UNITED STATES IN THE WORK OF THE ALLIED CONTROL AUTHORITY FOR GERMANY; EFFORTS BY THE SOVIET UNION TO THWART THE DEVELOPMENT OF DEMOCRATIC POLITICAL LIFE IN BERLIN AND THE SOVIET ZONE OF OCCUPATION IN GERMANY¹

740.00119 Control (Germany)/1-647

*The Political Adviser for Germany (Murphy) to the
Secretary of State*

RESTRICTED
No. 8336

BERLIN, January 6, 1947.

SIR: With the thought that a study of the Allied control machinery for Germany may be of interest at this juncture and may be of particular assistance to officers newly assigned to Germany, I have the honor to present a survey which deals with the bases on which the Allied occupation of Germany was established and which explains the structure and methods of operation of the quadripartite Allied Control Authority.

[Here follows the concluding portion of the introduction and a review, comprising 11 pages in the source text, of the negotiations in the European Advisory Commission in 1944 and 1945 regarding the control machinery for Germany as well as of the juridical basis of Allied control. For documentation on the participation of the United States in the work of the European Advisory Commission, see *Foreign Relations*, 1944, volume I, pages 434 ff., and *ibid.*, 1945, volume III, pages 1 ff.]

THE ALLIED CONTROL AUTHORITY

In their covering report transmitting to their governments the Agreement on Control Machinery² the EAC representatives recommended that the initial period during which the control machinery

¹ For previous documentation on these topics, see *Foreign Relations*, 1946, vol. VI, pp. 701 ff.

² For the text of the Agreement on Control Machinery for Germany, signed at London, November 14, 1944, and amended by a further agreement signed at London, May 1, 1945, see *Treaties and Other International Acts Series 3070*; *United States Treaties and Other International Agreements*, vol. 5, pt. 2, p. 2062. For the Report of the European Advisory Commission regarding the agreement, see *Foreign Relations*, 1944, vol. I, pp. 404-406.

was designed to operate, when Germany was to carry out the basic requirements of unconditional surrender, should be made as short as possible and be succeeded by a second phase to be decided by the governments. The EAC representatives also mentioned they had proceeded on the assumption that there would be a central German administration through which the Allied Control organs would work, although they envisaged that their plan could be adjusted to meet other conditions. So far neither of these contingencies has occurred. In September 1945 the French disapproved a plan to establish German central agencies and have maintained their opposition ever since, while to date the governments have taken no steps to modify or replace the present control regime for Germany.

Sitting as the Allied Representatives rather than as the Control Council, the four Commanders-in-Chief held their first meeting in Berlin on 5 June 1945³ at which time, it will be recalled, they signed the Declaration on the Defeat of Germany and the Assumption of supreme authority.⁴ The Control Council as such was not set up until the concluding days of the Potsdam Conference and first convened on 30 July 1945.⁵ The Potsdam declaration⁶ reaffirmed the basic Article I of the Agreement on Control Machinery which provided that "Supreme authority in Germany will be exercised, on instructions from their respective Governments, by the Commanders-in-Chief of the armed forces of the United Kingdom, the United States of America, the Union of Soviet Socialist Republics and the French Republic, each in his own zone of occupation, and also jointly, in matters affecting Germany as a whole, in their capacity as members of the supreme organ of control constituted under the present Agreement."

The sum total of the quadripartite Allied administration, called the Allied Control Authority (ACA) consists of four echelons, namely, the Control Council of the four Commanders-in-Chief at the top; their deputies comprising the Coordinating Committee; the 10 Directorates in charge of specific fields of military government; and the Secretariat and subsidiary organs of control. Decisions taken by all bodies of the

³ For a report on the meeting under reference here, see telegram FWD 23724, June 6, 1945, from General Eisenhower to the Joint Chiefs of Staff, *Foreign Relations*, 1945, vol. III, p. 328.

⁴ For the text of the Declaration under reference, see Treaties and Other International Acts Series No. 1520, or 60 Stat. 1649.

⁵ For a report on the 1st meeting of the Control Council, see telegram 234, July 30, 1945, from Frankfurt, *Foreign Relations*, 1945, vol. III, p. 820.

⁶ The reference is to the Agreement on the Political and Economic Principles to Govern the Treatment of Germany in the Initial Control Period, included in Part III of the Report on the Tripartite Conference of Berlin, August 2, 1945, *Foreign Relations*, The Conference of Berlin (The Potsdam Conference), 1945, vol. II, p. 1502.

ACA must be by unanimous vote (cf., the practice of the League of Nations Council that decisions respecting the Saar could be adopted by a majority vote). Throughout all echelons of the ACA chairmanship rotates each month between the various national elements.

THE CONTROL COUNCIL

In matters affecting Germany as a whole the Control Council is the sovereign body which exercises the supreme authority of the four Allies, "including all the powers possessed by the German government."

As defined by the Agreement on Control Machinery the functions of the Control Council are: (*i*) to ensure appropriate uniformity of action by the Commanders-in-Chief in their respective zones of occupation; (*ii*) to initiate plans and reach agreed decisions on the chief military, political, economic and other questions affecting Germany as a whole, on the basis of instructions received by each Commander-in-Chief from his Government; (*iii*) to control the German central administration, which will operate under the direction of the Control Council and will be responsible to it for ensuring compliance with its demands; (*iv*) to direct the administration of "Greater Berlin" through appropriate organs.

It is stipulated that the Control Council will meet at least every ten days and meetings are customarily held on the 10th, 20th and 30th of every month. While the Control Council may convene more frequently if occasion requires, the only extraordinary sessions called so far were those which dealt with the appeals of the war criminals condemned by the Nuremberg Tribunal. Thus it has resulted in effect that the Control Council is removed from the ordinary business of administering Germany or the work of the lower echelons. Generally speaking, only important issues upon which there has been disagreement find their way up to the Control Council. Several meetings have taken place at which no questions were presented for discussion. Point (*iii*) of the prescribed functions relating to the control of central agencies remains a dead letter, and in view of the lack of progress hitherto made in unifying Germany, the work of the Control Council has been so limited in scope as to occasion a suggestion from the French Commander that only bi-monthly meetings be held. The Control Council however has abided by its schedule and tri-monthly meetings taken place if only for the salutary contact they offer between the four commanders.

As the supreme Allied authority, the Control Council signs all laws and proclamations which are to take effect throughout Germany in its name.

THE COORDINATING COMMITTEE

The permanent Coordinating Committee, whose delegates must be of General rank or its equivalent, is the next highest echelon and is charged with performing the following duties, acting on behalf of the Control Council and through the Control Staff: (*i*) the carrying out of the decisions of the Control Council; (*ii*) the day-to-day supervision and control of the activities of the German central administration and institutions; (*iii*) the coordination of current problems which call for uniform measures in all three zones; (*iv*) the preliminary examination and preparation for the Control Council of all questions submitted by individual Commanders-in-Chief.

The frequency and time of meetings of the Coordinating Committee were not specified in the basic agreement but its present practice is to meet four days before and two days after each meeting of the Control Council so that it may prepare the latter's work and later execute its decisions. During the first days of the inauguration of control when many fundamental steps had to be urgently taken, the Coordinating Committee held frequent meetings and it has done likewise when dealing with difficult problems such as reparations and the level of German industry. By virtue of its direct and permanent association with the affairs of the ACA in Berlin the Coordinating Committee has become the higher level working organ which resolves or attempts to resolve the problems of quadripartite administration and is in effective charge of the everyday operation of the machinery in Berlin. It assigns tasks to the Directorates, passes upon their decisions and deals with the questions on which agreement has not been reached. It is furthermore the body to which the Allied Kommandatura in Berlin is directly responsible.

In the absence of a German Central Administration or institutions mentioned in Point (*ii*) above, and with the standstill in quadripartite government resulting from the lack of German unity, the Coordinating Committee has recently been concerned with far fewer problems of basic national importance. Since it has been found that some Commanders in the Control Council merely maintain the position of their representatives on the Coordinating Committee and leave small room for negotiation, papers on which no agreement is reached in the latter body are frequently withdrawn since reference to Control Council would serve little useful purpose. The same inflexibility of action by certain delegations runs down through the various Directorates; although changes in a taken position only infrequently occur, the Coordinating Committee is nevertheless obliged to attempt to resolve differences in the lower echelons of control.

ADVISERS

The Agreement on Control Machinery provides that each member of the Control Council will be assisted by a Political Adviser, who may attend meetings, as well as by Naval or Air Advisers if necessary. This provision was proposed in the EAC by the British delegation who indicated clearly that they desired representation of the civilian element of their government. Early British proposals furthermore contained the suggestion that the term of the military Control Council be limited with a view to later replacement by a civilian High Commission.

All four of the present Political Advisers have the personal rank of Ambassador and their special position in each national delegation is signified by the fact that other Foreign Office officials are designated to serve as members of the subordinate Political Directorate.

THE DIRECTORATES

The Control Staff or Directorates were originally envisaged as the Allied counterparts of the German governmental departments they were to supervise. At present they perform certain duties which would normally devolve upon such departments and they also serve in an advisory capacity to the Coordinating Committee when required. Several of the Directorates have numerous committees, subcommittees and "working parties", the latter being a kind of informal group assigned to report on special problems. The Agreement on Control Machinery provided for twelve Directorates (or Divisions as they were then called), but as of 1 January 1947 the Military, Air and Naval Directorates have been brought together in a Combined Services Directorate. Enumerated briefly below are the functions and committees of the various Directorates.

The Combined Services Directorate concerns itself with the disbandment and disarmament of all branches of the German *Wehrmacht*, disposition of their arms, ammunition, equipment, etc. As the successor of the former Air Directorate it is also responsible for military and civilian air traffic in relation to Germany as a whole. Committees:

- Air Intelligence Committee
- Air Committee on Meteorology
- Aviation Committee
- Air Committee on Disposal of War Material
- Naval Steering Committee
- German Hydrographic Institute

The Political Directorate has a dual function in that it is charged with the handling of political matters and also acts as point of contact between the ACA and countries not represented by military

missions in Berlin. Diplomatic correspondence with these nations is transmitted by the Chairman member through his Foreign Office and its missions abroad. Since information control has many political aspects, this field nominally comes under the Directorate. Committees:

Information Control

The Transport Directorate deals with questions involving motor, rail and water transportation, including inland waterway transport. Committees:

- Railways Committee
- Tariff Sub-Committee
- Mechanics Sub-Committee
- Highways Committee
- Coastal Shipping Committee
- Inland Waterways Committee
- Ports Committee

The Economic Directorate is the largest and covers the broadest field of activity. Such matters as the level of industry plan, price control and control of scientific research fall within its sphere. Its wide area of competence may be judged from the following list of committees:

- Industry Committee
 - Chemical Sub-Committee
 - Building Industries Sub-Comm.
 - Machinery & Optics Sub-Comm.
 - Metals Sub-Committee
 - Textiles & Consumer Goods Sub-Committee
- Fuel Committee
 - Gas & Electricity Sub-Comm.
 - Oil Sub-Committee
 - Coal Sub-Committee
- Food and Agriculture Committee
 - Forestry Sub-Committee
 - Veterinary Sub-Committee
 - Research & Education Sub-Committee
- Committee for Liquidation of German War Potential
- Trade and Commerce Committee
 - Export Import Sub-Committee
 - Price Control Sub-Committee
 - Interzonal Trade Sub-Committee
- Committee on Central German Administrative Agencies
- I. G. Farben Control Committee

The Finance Directorate is generally responsible for banking, fiscal, currency and price control policy. Committees:

- Banking Committee
- Property Control Committee

Committee for Balancing of Foreign Accounts
 Committee for Financing Reparations Costs
 Currency and Printing Committee
 Public Finance Committee
 Committee on Financing Occupation Costs
 Price Policy Committee
 Joint Finance Transport Committee
 Taxation Committee
 Committee on Financial Regulations

The Reparations, Deliveries and Restitution Directorate performs the functions indicated in its title. It works closely with the Economic Directorate, the latter having the responsibility for determining the plants to be declared available for reparations. When availability has been determined, the RD & R Directorate proceeds with the evaluation of the individual plants and notification of their availability to the various claimant nations. Following the allocation of plants as between the western powers and the Soviet Union, the Directorate establishes procedures for the dismantling and delivery of the allocated plants. The Directorate has a similar competence with respect to the restitution of property removed from countries occupied by Germany. Owing to the failure of the ACA to achieve the economic unity of Germany, the US in May 1946 placed a ban upon further dismantling and deliveries of reparations plants except those included in the earlier plan for advanced delivery and except for general purpose equipment in German war plants. Committees:

Restitution Procedures Committee
 Reparations, Procedure and Valuations Committee

The Internal Affairs and Communications Directorate deals with civil administration, public safety, public health and welfare and the organization and operation of the communications system within the four zones, including the postal services. Committees:

Allied Communications and Posts Committee
 Communications Sub-Committee
 Organization and Finance Sub-Committee
 Postal Sub-Committee
 Intelligence Committee
 Censorship Sub-Committee
 Allied Welfare Committee
 Health Committee
 Civil Administration Committee
 Governmental Structure Sub-Com.
 Joint Committee with Legal
 Directorate on Rights of
 Citizenship of German Ex-
 pellees from Poland, Czechoslovakia, Hungary
 and Austria

Allied Public Safety Committee
 Nazi Arrest and Denazification
 Sub-Committee
 Allied Religious Affairs Committee
 Allied Education Committee
 Sub-Committee on Museums

The Legal Directorate has the responsibility of supervising the German legal structure. It also drafts in appropriate legal form the legislative enactments of the Control Council and the Coordinating Committee. One of its primary duties has been the denazification of the legal code. It also advises the ACA on policy relating to war crimes. Committees:

Committee on Reform of German Law
 Legislative Drafting Committee
 Industrial Property Committee
 Juvenile Delinquency Committee
 CROWCASS
 Committee for the Revision of the Criminal Code

The Manpower Directorate is analagous to a cabinet office for labor. Matters affecting trade union organization, employment, unemployment insurance, work codes and general wage policy fall within its competence. Committees:

Labor Supply Committee
 Social Insurance Committee
 Trade Unions and Labor Law Committee
 Wages and Labor Standards Committee
 Housing Committee

The Prisoner of War and Displaced Persons Directorate is the last of the ten. Insofar as prisoners of war are concerned its responsibility is generally limited to coordinating the movement of discharged prisoners between the zones. It advises the ACA on matters affecting the return to their native countries of Allied displaced persons formerly brought to Germany for labor by the Nazi regime. It is also concerned with the transfer to Germany of the German populations expelled from Austria, Czechoslovakia, Hungary and Poland, as well as with the groups of obnoxious Germans sent back to Germany from other countries. In caring for Allied displaced persons it works closely with UNRRA and other similar organizations. Committees:

Combined Policy Tracing Board
 Combined Repatriation Executive

The German External Property Commission has been performing some of the functions of a Directorate although it was not envisaged in the original Agreement on Control Machinery. Control Council Law No. 5 provided for the vesting and marshalling of German external

assets and set up the German External Property Commission as the quadripartite body in which would be vested title to such property. In practice this arrangement has proved far from ideal and may eventually be liquidated.

THE ALLIED SECRETARIAT

A quadripartite Secretariat composed of personnel designated and paid by each of the four control powers performs the necessary secretarial duties such as keeping central files, providing interpreting and translating services and preparing documents for the various echelons of the Control Authority. In each control body and Directorate the duty secretary for the month writes the first draft of the minutes and the pertinent papers. The acts of the Secretariat are subject to the unanimity rule and its members are not international public servants as in the case of the League of Nations and the UN.

The Secretariat has two special departments: a Liaison and Protocol Section, which deals with Foreign missions, and an Administrative Section which operates the ACA building made available by the US in its sector. The US element, which is slightly larger than the other national Secretariat groups, numbers some 45 military and civilian personnel.

ALLIED MISSIONS AND ORGANIZATIONS

It is stipulated in the Declaration of 5 June 1945 on the Defeat of Germany that the four occupying powers shall act in Germany "in the interests of the United Nations." The Agreement on Control Machinery provides that the necessary liaison with the governments of other United Nations "chiefly interested" will be carried out by military missions (which may include civilians) accredited by these governments to the Control Council. The Control Council agreed to receive missions from the following 16 countries: Australia, Belgium, Brazil, Canada, China, Czechoslovakia, Denmark, Greece, India, Luxembourg, the Netherlands, New Zealand, Norway, Poland, South Africa and Yugoslavia. New Zealand has not yet set up its mission in Berlin.⁷

It has been emphasized, particularly by the Soviets, that these missions are of a military and not a diplomatic character. Each is headed by an officer with high military rank. Certain nations, however, have designated Foreign Office officials as head of their missions to whom

⁷ For documentation on the negotiations in 1945 in the European Advisory Commission and the Allied Control Commission for Germany regarding the representation in Germany of foreign governments after surrender and the establishment of four-power control in Germany, see *Foreign Relations*, 1945, vol. III, pp. 1084 ff.

they have given military rank. Precedence is based on seniority of accreditation and arrival in Berlin and the missions have chosen one of their number dean. The Allied Liaison and Protocol Section of the Secretariat is nominally the official point of contact and is charged with keeping them informed of the activities of the ACA. Mainly as a result of Soviet insistence, documents and information regarding current discussions are at present withheld from the missions, many of which have recently been pressing for an improvement in their status.

The military missions concern themselves chiefly with matters that would normally be handled by diplomatic agencies but under present conditions they have found it difficult to accord what they consider adequate protection to their respective countries' nationals and interests throughout Germany. Certain Zone Commanders, including the U.S., have attached to their headquarters separate missions from Allied nations which handle such special questions as repatriation, restitution, etc.

The Agreement on Control Machinery provides that United Nations organizations may be admitted to operate in Germany but shall be subordinate and answerable to the Allied Control Authority. Several such organizations as UNRRA and ECITO at present have representatives in Berlin.

LIAISON AND MOVEMENT BETWEEN THE ZONES

It is stipulated in the Agreement on Control Machinery that each Commander-in-Chief in his zone will have attached to him military, naval and air representatives of the other Commanders-in-Chief for liaison duties. At the present writing the U.S. and Soviet Commanders are only just now negotiating for the reciprocal establishment of liaison missions at Potsdam and Frankfurt respectively. Owing to Soviet refusal to permit foreign consuls in their zone, consulates have not been set up throughout Germany, although the US, UK and France receive Consuls one from the other in several cities in each of their zones. At present there are British and French Consuls in Frankfurt and Munich and the US has Consular establishments in Bremen, Frankfurt, Munich, Stuttgart, Hamburg and Baden Baden. All four powers have Consulates in Berlin. In view of the services of protection rendered US interests by the Swiss during the war, Swiss Consulates are permitted in Frankfurt and Munich, and the US has moreover agreed to the opening of Consulates by the UK, Denmark, Norway, Sweden, and Switzerland in Bremen. The possibility of authorizing additional consulates is under consideration.

In general there are restrictions on all types of inter-zonal movement. Germans in one zone who have business to perform in another

are cleared by a system of passes operated by an Inter-zonal Facilities Board in the Administrative Section of the Allied Secretariat. Since the merger of the US and British Zones, Germans may freely travel from one to the other. Entry into the western zones from abroad is decided by a US, British and French Combined Travel Board in Berlin on the basis of applications filed with appropriate agencies of the three nations in their own and other countries. The Soviets determine entry into their zone on a unilateral basis.

Each of the Zone Commanders is responsible for his national personnel as well as for the personnel of other countries attached to his forces (UNRRA, special missions, etc.). Personnel assigned to one Zone Commander who are found to be in another zone without authorization are considered to be delinquent and an informal agreement has been elaborated between the Zone Commanders whereby such persons are returned to the Zone Commander having authority over them.

THE GOVERNMENT AND CONTROL OF BERLIN

The Inter-Allied Governing Authority for Berlin provided for in the Agreement on Control Machinery and called the Kommandatura (as a result of combining German and Russian terminology) is organized along lines roughly parallel to those of the Allied Control Authority. The four Commandants of the US, British, French and Soviet troops garrisoning Berlin sit at the head of the Kommandatura. The Committee of Deputy Commandants, who are in charge of Military Government of the four Allied Sectors, serve in the capacity of Coordinating Committee. The Commandants' Chiefs-of-Staff perform secretarial duties analogous to those of the Allied Secretariat of the ACA. Vis-à-vis the City government of Berlin, the following committees exercise functions similar to those planned for the Directorates of the ACA: Building and Housing; Cultural Affairs; Education and Religion; Electricity; Finance; Food; Fuel; Labor; Legal; Local Government; Monuments and Fine Arts; Personnel and Denazification; Property Control; Public Health; Public Safety; Posts and Telephone; Public Utilities; Trade and Industry; Transportation; and Welfare and Refugees.

As is well known the city of Berlin is a virtual international island in the Soviet zone and access to it from the western zones is governed by a limited number of air, train, and road corridors through the Soviet zone. Inside the city, however, there is freedom of movement between the various sectors. The area of international occupation and control corresponds to the city of "Greater Berlin", as defined by municipal decree of 27 March 1938, which comprises 20 administrative districts (*Verwaltungsbezirke*), 8 of which are in the Soviet

Sector, 6 in the US, 4 in the British and 2 in the French Sector. Each administrative district has a local mayor while the central city government is in the hands of the *Magistrat*. By the terms of the new Provisional Constitution of 1946 under which the city at present operates, the *Magistrat* consists of a chief mayor, 3 mayors, and a maximum of 16 additional members who head the central city administrative departments. The first post-surrender *Magistrat* was Soviet appointed. As a result of municipal elections held October 20, 1946, a new *Magistrat*, chosen by the City Assembly, has taken office.

The city government of Berlin is an operating concern and the Kommandatura performs in miniature what the Control Council was originally intended to do for the whole of Germany. All the work of actual administration is undertaken by the Germans and the Kommandatura's functions are primarily those of control and direction. At the same time agreements are not always easy to reach in the Kommandatura and many of the problems handled by that body foreshadow those that will be met if all of Germany is administered and controlled on a uniform basis. One of the chief points at issue in the Kommandatura has been Soviet support of the Communist-dominated Socialist Unity Party (SED), and their reluctance to permit freedom of action to German agencies not under SED control. In general the delegations of the Western Powers, and particularly the US, have favored returning responsibility to German elected bodies as soon as possible and to as great a measure as is consistent with Allied objectives.

THE US OFFICE OF MILITARY GOVERNMENT

Although this report is concerned chiefly with the quadripartite administration of Germany, a brief description of one of the national elements, the Office of Military Government US (OMGUS) may assist in understanding the operation of the ACA as a whole.

OMGUS in Berlin is the central office from which Military Government in the US Zone is directed and comprises at the same time the US delegations and groups on the various bodies of the ACA. The French on the other hand run their zone from their military headquarters at Baden Baden and maintain in Berlin a smaller office which is, so to speak, their negotiating group in the ACA. The British are adopting the US pattern of unified control and negotiation, and this is also believed to be the system employed by the Soviets for whom, however, the problem of operating their zone from Berlin is considerably simpler.

OMGUS is an anomaly of US military organization since it corresponds to none of the general staff departments of US military

practice but is patterned roughly after the organization of the ACA, although certain adjustments have been made to meet special requirements including those of the zonal administration. The US Commander-in-Chief, who is US representative on the Control Council, is also US Military Governor. The Deputy Military Governor is the US member of the Coordinating Committee and head of OMGUS which is separate from US Forces Theater Headquarters at Frankfurt (USFET), although the latter has a small conventional staff division in G-5 which serves as liaison and also handles special military government problems such as displaced persons.

An organization chart of OMGUS is enclosed for reference.* The special advisers occupy the same position they hold in the ACA, and generally speaking the heads of OMGUS Divisions serve as the US members on ACA Directorates. Since Political Affairs is not regarded as an "operating" division, it is given a special status as a staff office, together with Information Control. Although an integral part of the OMGUS, military organization, the State Department Mission, which comprises the Office of Political Affairs is under the immediate jurisdiction of the Political Adviser. The head of the Office of Political Affairs is US member on the Political Directorate. In the ACA there is no Directorate of Information Control, but for this field there is a quadripartite group which is nominally a committee of the Political Directorate.

When policy on a particular question originates in Washington, it is referred to the appropriate Division in OMGUS. The Divisions themselves play a certain role in initiating policy and are responsible for coordination between each other as well as in certain cases with the US Military Government Coordinating Office established to supervise the work of the German three *Laender* council at Stuttgart. At weekly staff conferences with the heads of the Divisions, the Deputy Military Governor personally reviews the whole field of current activity and determines the course of action. As a member of the Coordinating Committee which passes on the work of the ACA Directorates, he is obliged to keep himself informed regarding the evolution of policy at each stage and the US position in respect thereto.

MILITARY GOVERNMENT LEGISLATION

The history of the occupation is reflected to some extent in the development of Allied legislation.

*Lt. Gen. Clay, the newly-appointed US Zone Commander, announced he will have his headquarters in Berlin and changes in the present organization will doubtless be made when he assumes office in March 1947. [Footnote in source text. The chart under reference is not reproduced here.]

As the Soviets fought their way into Germany from the East and the SHAEF forces from the West, they set up their own separate military government laws and regulations. Since the US, British and French armies were under combined command, uniform military government legislation prevailed in their areas of control. Shortly after the SHAEF forces had first set foot in Germany in September 1944, General Eisenhower issued his Proclamation No. 1 assuming supreme legislative, judicial and executive authority. SHAEF Law No. 1 abrogated Nazi legislation and SHAEF Ordinance No. 1 defined crimes and offenses against the occupation. In all some 15 laws and four ordinances were issued by SHAEF which likewise promulgated a certain number of formal notices to the German populace.

The combined SHAEF command formally came to an end with the promulgation on 14 July 1945 of Proclamation No. 1 by General Eisenhower who announced, in his new capacity as US Zone Commander, that all previous SHAEF legislation would remain in effect unless modified by him. In issuing new laws and ordinances, USFET, General Eisenhower's new command, continued with the SHAEF number series.

Proclamation No. 1 of the Control Council dated 30 August 1945 announcing assumption by the Control Council of supreme authority in matters "affecting Germany as a whole", provided that all military laws, proclamations, etc. previously issued by the respective Commanders-in-Chief for their respective zones should continue in force.⁸ (At one of its early meetings in July 1945 the Kommandatura, the first quadripartite body to sit in Berlin, had already decided to retain in force the earlier regulations of the Soviet military administration in Berlin.) It will be recalled that Control Council Proclamation No. 2 set forth the additional terms to be imposed on Germany.⁹ Control Council Law No. 1 abrogated Nazi legislation on a Germany-wide basis, and thereafter followed the Control Council series of laws and ordinances.

The Control Council decided on 20 September 1945 that its acts would be executed in one of the following forms:

- a. *Proclamations*: to be issued to announce matters or acts of special importance to the occupying powers or to the German people, or to both.
- b. *Laws*: to be enacted on matters of general application, unless expressly provided otherwise.

⁸ For the text of the Control Council Proclamation No. 1, see von Oppen, *Documents on Germany*, p. 58.

⁹ For the text of Control Council Proclamation No. 2, September 20, 1945, see *ibid.*, p. 68. For the text of the Agreement on Certain Additional Requirements to be Imposed on Germany, as signed by the European Advisory Commission in London on July 25, 1945, see *Foreign Relations*, The Conference of Berlin (The Potsdam Conference), 1945, vol. II, p. 1011.

- c. *Orders*: to be issued in other cases when the Control Council has requirements to impose on Germany and when laws are not used.
- d. *Directives*: to be issued to communicate policy or administrative decisions of the Control Council.
- e. *Instructions*: to be issued in cases when the Control Council wishes to impose requirements direct upon a particular authority.

In all, the Control Authority has issued 43 laws, 4 orders, and 45 directives to date. Its prescriptions are theoretically paramount throughout Germany but in view of the powers of the respective zone commanders and since there exists no form of quadripartite inspection or examination, the extent to which ACA legislation is carried out in certain zones cannot always be definitely established.

It might be held that during the period of quadripartite control the ACA has not achieved a very full legislative record, but two factors must be borne in mind. The first is that apart from the abrogation of obnoxious Nazi statutes the main body of German law still continues in effect. Another consideration stressed in a recent meeting of the Coordinating Committee is that the Germans should bear primary responsibility for legislating on matters affecting themselves and that the Control Authority should limit itself to legislative matters relating directly to the occupation. In the absence of political and economic unity, disparities both in German and military government enactments have grown up between the zones. With a view to achieving some form of coordination a directive was issued on 20 September 1945 that the national delegations of the Legal Directorate should furnish currently to the Allied Secretariat information regarding military government regulations in their respective zones as well as data on the types, competence and procedure of the German courts.

In the present report references have been made to many basic statutes and laws which it would be impracticable to enclose. A compilation of the important documents can be readily found, however, in Title 23 of the US Military Government Regulations headed "Military Government Legislation".

CONCLUDING COMMENTS

A word of comment may be useful by way of summary. That the present quadripartite administration of Germany has been a failure from the US standpoint is almost universally acknowledged. The machinery has been called upon to perform labors inconsistent with its original purposes. It was always intended, at least by the US and British, that the Allies should direct and control Germany. It was never envisaged that they should govern, and the present system has proved unequal to this unforeseen task.

The consequences of the failure to establish German governmental or central agencies are too well known to require rehearsal. A corollary deficiency is the inability of the present Allied machinery to develop. The more recalcitrant parties in the ACA have constantly maintained that with respect to Germany as a whole, only those agreements approved by the four governments are valid. Taken by and large these prescriptions are extremely meager as compared with the magnitude of the problems of Germany. Essentially they are: (a) the Declaration of 5 June 1945 on the Defeat of Germany and Assumption of Supreme Authority; (b) the EAC Agreement on Control Machinery; (c) the additional terms to be imposed on Germany promulgated in Control Council Proclamation No. 2; and (d) the Potsdam Agreement. The swift passage of events has already rendered many of these dispositions obsolescent. Attempts to move a step forward or away from the inadequacies of past decisions have been frustrated by the adherence of the more recalcitrant parties to the letter of the written statutes which they claim can only be amended by agreement of all the governments.

It is of course well known that even these agreements have not been honored by certain parties who have perverted to their own use the autonomy reserved to the zonal administrations. Under these conditions the Allied Control Authority has become a moribund organism incapable of withstanding the virus of Allied dissension. A living German organism, or democratic identity resistant to particular outside interests, has not evolved but in certain instances is in danger of degenerating into regional cell-clusters of forced growth. In other cases the zone commanders have exercised their supreme authority with restraint and a transitional advance to hoped-for unity has been achieved in the fusion of the US and British zones. Nevertheless, taking Germany as a whole, separate regimes have arisen which daily become more hardened by usage and established interest and which will be all the more difficult to absorb into a responsible and viable entity. Such is the history of the "first period" of Allied control.

Respectfully yours,

ROBERT MURPHY

740.00119 E.W./1-1747: Telegram

*The Acting Political Adviser for Germany (Muccio) to the
Secretary of State*

SECRET

BERLIN, January 17, 1947—11 p. m.

161. Clay's prompt and effective query made at 99th meeting Coordinating Committee and Soviet member's reply (mytel 148, Jan-

uary 16¹⁰) place latest indication of Soviet policy towards Germany (outlined mytel 147, January 16¹¹) in a somewhat uncertain light. At the moment, Soviets have repudiated statement on a high quadripartite level without as yet agreeing to publications of repudiation, as result of which its sensational nature may at least temporarily continue to win them and Communist cause favor vis-à-vis German people. It is difficult to believe that these press and radio statements were unauthorized, including as they did feature publication in Soviet overt *Taegliche Rundschau*¹² and specific mention of both Sokolovsky and Kurotschkin, despite latter's denial in Coordinating Committee. Soviets did not anticipate being pressed at quadripartite level so quickly or firmly.

At any rate this latest indication of Soviet policy in Germany is interesting and presumably significant, coming as it does on the eve of the CFM discussions, following last autumn's electoral defeats of German Communist cause and several months in which Soviet propaganda has been charging Western Occupation Powers with seeking to protect and strengthen Germany.

Press and radio statements in question suggest attack away from economic exploitation in direction of another effort to win political support of German people. That this new statement was put out in the name of Socialist Unity Party even in the Soviet overt organ *Taegliche Rundschau* suggests, however, that Soviets are still determined to pin their main hopes on German Communist leadership.

Soviets have earlier indicated there would be no further plant dismantling in their zone, having made such promises early as autumn 1945, again last summer in connection with nationalization of industry program, and, in fact, whenever such promises appeared appropriate to influence German opinion. However, this statement of Soviet intention was given much greater prominence than heretofore, and also more definite form through published commitment in contrast to previous verbal promises made by top Soviet officials to German political leaders. Furthermore, almost all plants of any importance in Soviet zone have by now either been dismantled or incorporated into the Soviet combines. Whether the 200 less 74 large concerns now to

¹⁰ Not printed; it reported that at the 99th Meeting of the Coordinating Committee of the Allied Control Authority for Germany, January 16, 1947, General Clay had asked the Soviet member, General Kurochkin, for a clarification of the statement issued on the previous day by the Central Secretariat of the Socialist Unity Party following a meeting with representatives of the Soviet Military Administration in Germany. General Kurochkin denied that Soviet officials had authorized the statement, but he would not give General Clay permission to advise the press that the statement was not correct (740.00119 EW/1-1647). For the text of the statement, see Ruhm von Oppen, *Documents on Germany*, pp. 202-203.

¹¹ Not printed.

¹² Newspaper in the Soviet zone of Berlin published by Soviet authorities.

be recognized as part of the latter represent additions to this group is not known. It is also fair to ask whether these two examples of Soviet beneficence actually add up to very much from German viewpoint. Soviet promise to reduce deliveries of reparations from current production should be considered against background of apparent extreme shortage of consumption goods in USSR and political necessity of the regime to increase their supply. If this situation is as portrayed by Moscow's 80 to Dept January 14 [13],¹³ it might prove extremely difficult for Soviets to live up to this promise. As indicated by Clay, Sokolovsky's undertaking to raise level of industry in Soviet zone would appear criticizable as a unilateral action by one of the 4 Occupation Powers.

That Soviets saw fit to issue this new statement of policy now suggests possibility other surprises before Moscow meeting, as for example, plan for central German Government or new stand on present eastern frontier, to win further German opinion. Regards latter, Kremlin may be still too firmly committed to supporting Polish regime, though after January 19 elections¹⁴ this will no longer be such a compelling consideration. It will be interesting to note effect of this declaration on Communist causes in both Poland and France.

Finally, despite Kurotschkin's statement in Coordinating Committee, Berlin Soviet controlled press January 17 continues emphasize this question. *Neues Deutschland*¹⁵ and *Taegliche Rundschau* in particular feature articles containing comments by various Polish leaders on "Sokolovsky's declaration" and its great importance for the needs of German people.

Sent to Dept as 161; repeated to London for Ambassador Murphy as 26, Moscow as 26, Paris as 20.

MUCCIO

862.5043/2-147: Telegram

*The Acting Political Adviser for Germany (Muccio) to the
Secretary of State*

CONFIDENTIAL

BERLIN, February 1, 1947—9 p.m.

URGENT

279. After three hour debate Berlin Kommandatura Jan 31 was unable to reach agreement on Free German Trade Union League (FDGB) electoral procedure and left question in abeyance without

¹³ Vol. IV, p. 515.

¹⁴ i.e., the Polish general elections.

¹⁵ Daily newspaper in the Soviet zone of Berlin published by the Socialist Unity Party.

extending life of present leadership beyond Feb 3 deadline. Remytel 251, Jan 29.¹⁶ America, Britain and France originally held out for three points raised by Britain in Jan 28 Deputies meeting. Soviet General Kotikov refused to accept any of them and once again denied Kommandatura right to interfere in what he called internal trade union affairs. Britain, supported by America and France, then offered to leave new directing committee at 45 members, to let FDGB city convention confirm legality of election of 18 union members on directing committee and to let present FDGB leadership choose a uniform key figure for ratio between members and delegates to borough FDGB and city union conventions. This was stated to be our absolute minimum position. When Kotikov became convinced that America, Britain and France would not yield further, he read a long and angry previously prepared statement denouncing western allies, particularly America, for holding up elections and trying to destroy FDGB. Statement charged US with following AF of L policy, with publicly criticizing trade unions of Soviet Union and Soviet zone, with seeking to impose outside ideas of organization on German unions. Kotikov concluded by saying Soviets would know how to meet this challenge and that present FDGB directing committee would continue in office for Soviet Berlin sector.

Vehemence of Soviet attack and absolute unwillingness to live up to their Jan 17 agreement are evidence of importance Soviets attach to maintaining SED domination over powerful FDGB (491,000 members as of Dec 31, 1946).

The trade unions are perhaps the last means short of blockade the SMA has of maintaining its power over the entire city of Berlin in spite of Oct 20 municipal elections.¹⁷ FDGB has co-decision on production and distribution plans in most Berlin economic enterprises. Through SED-dominated Dept of Labor it controls hiring, firing, social insurance, et cetera, and can paralyze any recalcitrant employer by taking skilled workers away from him. Through a contract signed with Soviet appointed *magistrat* it has right of co-decision on all hiring and firing of city employees. Its Appeals Commission, set up to implement this contract, contains six SED members and no others. Lord Mayor Ostrowski has just dismissed this commission but FDGB refuses to accept dismissal. Meanwhile SED officials who cannot be

¹⁶ Not printed; it reported on the status of negotiations for a revised electoral procedure for the FDGB and on the meeting of Allied Deputy Commandants for Berlin on January 28. The British, supported by the French and American Commandants, opposed three electoral procedure changes proposed by the Communist FDGB leadership aimed at nullifying the election of 18 FDGB directing-committee members by individual trade unions (862.5043/1-2947).

¹⁷ For a report on the results of the Berlin municipal elections of October 20, 1946, see telegram 2430, October 23, 1946, *Foreign Relations*, 1946, vol. v, p. 734.

removed continue to dominate city administration. If present leadership of FDGB were replaced with non-SED leaders, which would almost certainly happen under democratic electoral procedure, the elected city govt. could then purge administration and control the city. Present disagreement among allies means FDGB probably will be dissolved in American, British and French sectors 0001 hours Feb. 4, unless sector commanders decide contrary. Dissolution would give western allies chance to build up new trade unions on democratic basis, but new unions would have no money and few other resources and would surely be fought by present FDGB leadership and entire Soviet controlled press and radio. Though some American and British officials are reluctant to be "union busters" and fear showdown fight, OMGUS manpower division feels that any other course would sacrifice basic democratic principles and considers it important that American labor movement give strong support to aid US Military Govt action in this matter.

Sent Dept as 279; repeated Moscow as 49; London for Murphy as 61; Paris as 39.

Department please relay to Moscow as Berlin's 49.

MUCCIO

862.5043/2-547: Telegram

The Acting Political Adviser for Germany (Muccio) to the Secretary of State

SECRET

BERLIN, February 5, 1947—2 p.m.

300. Controversy over Berlin FDGB elections like 1946 struggle for Berlin municipal elections has serious implications some of which extend far beyond Berlin. Remytels 279, February 1¹⁸ and 297 February 5.¹⁹ Most direct issue is whether Soviets can control through trade unions city they lost in political elections. It is questionable even if FDGB elections were carried on under procedure desired by Western Allies whether SED leadership would be thrown out and democratic unions created. Labor officer this mission believes that if workers knew party affiliations of candidates and had fair chance to vote they would eliminate SED control. On other hand 51,000 SPD members in Berlin (20,000 in FDGB) who would have to do bulk of fighting only slightly exceed number of shops in which elections would be held (50,000). SED has 120,000 members in Berlin, about 60,000 of whom are in FDGB. Entire trade union machine is SED

¹⁸ *Supra.*

¹⁹ Not printed; it reported that as the Berlin FDGB directing committee expired on February 3, 1947, both Germans and the western allies had adopted an attitude of watchful waiting (740.00119 Control (Germany)/2-547).

controlled. Headquarters and all important property including money and FDGB newspaper are in Soviet [control ?]. Union specialists like Paul Merker and Hans Jendretzky are more than match for harrassed and overworked SPD and CDU opposition leaders. Bribes to membership like Sokolovski and Kotikov distribution of cloth and shoes are potent arguments to cold and hungry Berliners which Western Allies cannot match. However, fact that Kotikov came to January 31 Kommandatura meeting prepared for disagreement indicates Soviets may be afraid of any election now.

Beyond Berlin [is the?] issue of control over all German unions and their possible incorporation into World Trade Union Federation. Fourth Inter-zonal Conference of Trade Unionists scheduled to open Berlin February 10. Reference my airgram A-1020, December 23, 1946.²⁰ WFTU Delegation now touring Germany will attend, as will Henry Rutz of AFL. Soviets obviously wanted clearcut victory in Berlin before conference. Once again unity of German unions and eastern versus western concept of union organization will be on agenda and victory may go to biggest battalions. Soviet zone unions now claim about 3,500,000 members, Berlin FDGB 491,000. British zone over 1,750,000, American zone over 1,000,000, French zone about 250,000. However, it seems Soviet zone unions losing membership. Reliable report says *Land* Saxony has dropped from 1,200,000 to 975,000. Membership still rising in west, though leveling off American zone.

British and American zone trade union leaders opposed to Communist-controlled national union, but feel insecure and cannot fight national unity for long. Thus Berlin is apt to prove key point.

In view of above situation attitudes of occupying powers are crucial since German trade unionists extraordinarily sensitive to will of victors. US is only power which can take strong line opposing Soviet aims. High official British political division who is Labor Party stalwart says TUC would not countenance suppressing or splitting Berlin unions or any move opposing FDGB elections. Gautier, French Labor officer Berlin and close friend Jouhaux, has successfully urged strong anti-Soviet line here but expects momentarily to be overruled by Communist CGT leadership and by his Government. French MG in Baden Baden openly supporting WFTU aims and early formation national unions. US Manpower officers frankly admit they have not offered leadership, reason being mainly lack of aggressive and trained Manpower personnel detailed to Berlin MG and also lack of newsprint and other means of helping Democratic opposition. OMGUS now assigning two good Labor Relations men to job.

²⁰ Not printed.

For time being only course is to organize and strengthen SPD and file opposition against SED leadership. SPD however, refuses to split unions on sector basis since this would justify SED attacks on "splitters of working class and lackeys of imperialist forces."

Christian Democratic Union will be negligible force in struggle.

Repeated to Paris for Eldridge and Kennan as 44, to London for Murphy and Berger as 67, to Moscow as 54.

MUCCIO

862.5043/2-1247: Telegram

The Acting Political Adviser for Germany (Muccio) to the Secretary of State

CONFIDENTIAL

BERLIN, February 12, 1947—10 a.m.

354. Allied Kommandatura February 11th reached agreement on Berlin FDGB electoral procedure (reference my telegrams 279, February 1²¹ and 297, February 5²²). Basis was Soviet compromise proposal secretly suggested to the French February 3rd and amended by French. Kommandatura now orders FDGB to set uniform key figure for all boroughs and all unions and directs that FDGB city conventions may approve only legality of election of 18 union members on new directing committee. New committee may have 45 members. Elections in 1948 must be held one year after 1947 elections. American representative in agreeing made reservation that United States does not consider electoral procedure final but assumes Kommandatura will examine later modifications as part of FDGB constitution. British said their attitude toward FDGB in future would be determined by its actions.

Background of agreement appears to be stiffened US attitude and increased militancy of SPD opposition within trade unions. FDGB staged series of shop meetings protesting Allied interference but nobody impressed. On February 7 FDGB directing committee met with directing committee of 18 unions and borough committees (mainly SED dominated) and resolved to ask Allies to keep hands off internal union matters. City chairman Roman Chwalek (KPD-SED), however, indicated in opening speech at this meeting that question of key figures and confirmation of 18 union representatives could be adjusted. Next day over 1,000 SPD trade union and works council functionaries meeting in freezing hall resolved non-confidence in present FDGB leadership and demanded city convention of dele-

²¹ *Ante*, p. 848.

²² Not printed.

gates elected directly from shops to straighten out disputed issues. Young SPD executive committee member Kurt Schmidt announced at this meeting that present SED trade union leadership would have to go if FDGB unity was to be preserved.

Kommandatura agreement sets stage for election struggle more bitter than that in January-February 1946.²³ This time opposition will not be behind scenes but will fight in open. US information control division now conducting poll on membership attitudes.

Sent Department as 354; repeated Moscow 61; Paris as 52; London for Murphy and Berger as 77.

MUCCIO

740.00119 Control (Germany)/2-2647: Telegram

*The Acting Political Adviser for Germany (Muccio) to the
Secretary of State*

SECRET
URGENT

BERLIN, February 26, 1947—noon.

461. Presaging possible Soviet line at Moscow CFM, Marshal Sokolovsky at 56th [55th] meeting ACC February 25 read long prepared statement bitterly attacking US-British zonal fusion.²⁴ He referred to reported plans for establishment of economic and political bi-zonal bodies and alluded to last Wiesbaden meeting of ministers presidents which had approved Political Committee to assume political direction (see Frankfurt's 8, February 19²⁵). Reports indicated this body will have governmental authority and be in fact embryo govt. Since bi-zonal fusion produced such plans Sokolovsky considered clarification necessary on substance of agreement. ACC had no connection with bi-zonal fusion which in fact violated principles of quadripartite work and might endanger German political future.

According to Sokolovsky, first stated reason for fusion was to lighten burden US-British taxpayers. It was unjust to use such arguments in view of Soviet occupation costs. Now these arguments have been dropped and the taxpayers were paying for US-British monopolies. Agreement did not carry out Potsdam requirements for liquidation war potential and provision of reparations but instead encour-

²³ Telegram 732, March 26, 1947, from Berlin, not printed, reported that the Soviet-sponsored Socialist Unity Party leadership had scored a smashing victory in the Berlin FDGB elections on March 23. The telegram cited the following reasons for the SED victory: (1) FDGB indirect election procedure forbade political identification of candidates; (2) overwhelming strength of the SED apparatus supported by Soviet occupation authorities; (3) organization weakness of the Socialist Party opposition and its failure to mobilize membership (862.5043/3-2647).

²⁴ For the text of Sokolovsky's statement, see Ruhm von Oppen, *Documents on Germany*, pp. 211-217.

²⁵ Not printed.

aged Fascism as represented by Junkers estates. Democratic world opinion had become aroused by these arrangements which gave full scope to Fascist elements. German leader Agartz had openly boasted about abrogation of Potsdam reparations decision. Germany cannot obtain confidence other nations by evading its reparations obligations.

Sokolovsky asserted that fusion represented separate economic plan embracing two-thirds German iron and steel industries; it militated against economic unity and produced concentrations violating Potsdam principles of equal distribution. Plan neglected inter-zonal trade and treated rest of Germany as a foreign country as shown by dollar payment demand for exports to French zone.

In Sokolovsky's view, ACC should aim at uniform standard of living. US-British fusion benefited nobody and meant splitting Germany. US credit of one billion dollars will place heavy burden on German debtors, will determine flow of trade and will enable US and British monopolists to dictate Germany's future. Taking advantage of occupation, plan deprives western zones of their independence and transforms them into appendages of western monopolies. Such economic penetration entails subjugation and uncontrolled activity of monopolists to sorrow of country concerned. It works serious damage to peaceful German economy and position in world market. Europe needs German grounds and can be assisted by a peaceful and independent Germany.

Sokolovsky asserted that if short-sighted bi-zonal policy prevails it will lead to partition of Germany and a threat to European security by enabling Junkers to regain control. New aggression will develop which will mean final disaster for Germany and Europe. ACC cannot stand accused of such incorrect policies before history and seriousness of situation forced him to raise matter for inquiry.

Dealing with political consequences, Sokolovsky attacked rearrangement of western *Laender* as artificial and aiming at transforming Germany from single national state to a number of small, competitive weak states. Allies were being invited to sanction a kind of "carcass" Germany and to set up a form of federalism like a United States of Germany restricted to the framework of a customs union. Sokolovsky doubted if federalist plan had popular support, particularly since in times of stress certain people are always prepared to betray their country. Federalism is the desire of the Junkers and monopolists. The German people should be allowed to express their view without restraint. Germany cannot be put back one hundred years.

Sokolovsky concluded that Allies had agreed to demilitarize Germany, remove Fascist remnants and develop it as a democratic peaceful nation which one day will take an equal place with the other peace

loving nations. This cannot be done by repeating mistakes of bi-zonal arrangement. He was confident that difficulties could be overcome by agreement along lines of Yalta and Potsdam Conferences.

Clay said he would advise his govt accordingly and pointed out fusion as agreed by US-British Govts after invitations had been extended to Soviet and French zones. He was not prepared to discuss statement but assumed it will be repeated at CFM.

British member denied existence of political fusion. As regards US and British monopolists whom he had not had the pleasure of meeting, he could give assurance that there has been no such transfer of ownership of industry to British hands as there has been to Soviet hands. With respect to alleged iniquities of bi-zonal fusion Soviet could remedy them by extending fusion to four zones.

In reply to Robertson's question whether statement was for press, Sokolovsky said it will not appear in Soviet zone newspapers but he could not control press of other countries. Clay asked permission to publish Sokolovsky's statement with US reply. Sokolovsky said he could answer neither yes nor no. Clay said that burden of remarks had already appeared in Soviet press; if statement were printed elsewhere than in Germany, he reserved right to publish his reply.

Repeated Paris as 76, Moscow as 92 and London for Ambassador Murph as 100.

MUCCIO

740.00119 Control (Germany)/2-2647 : Telegram

*The Acting Political Adviser for Germany (Muccio) to the
Secretary of State*

SECRET

BERLIN, February 26, 1947—8 p.m.

URGENT

467. Control Council Fifty-sixth [*Fifty-fifth*] meeting Feb 25 approved and signed law abolishing Prussia along lines of draft mentioned my telegram 444, Feb 24.²⁶ Law will be promulgated March 1, 6 p.m. Section in report to CFM²⁷ dealing with Prussia simply contains text of law.

²⁶ The telegram under reference is not printed. For the text of Control Council Law No. 46 on the abolition of the State of Prussia, see *Germany 1947-1949*, p. 151, or Ruhm von Oppen, *Documents on Germany*, pp. 210-211.

²⁷ At the close of its Third Session in New York, November 4-December 12, 1946, the Council of Foreign Ministers agreed to instruct the Allied Control Council for Germany to submit by February 25, 1947, a report dealing with the work of the Control Council since its creation and the problems of the political, economic and financial situation of Germany; see Items II, 1 and III of CFM (46) (NY)74, December 12, 1946, *Foreign Relations*, 1946, vol. II, p. 1557. The final version of the Control Council's Report to the Council of Foreign

Footnote continued on following page.

Control Council approved remaining sections of CFM report. Apparently out of pique Marshal Douglas absented himself from meeting and had Robertson read homily regarding haste and lack of consideration with which report was rushed through Coordinating Committee and ACC. Clay and Sokolovsky ironically thanked Robertson for his lecture but maintained ACC had acted correctly in completing work by date set by CFM. Sokolovsky thereafter read statement summarized in my telegram 461 Feb 26.²⁸

Ten copies of report, each weighing over six pounds, left by air courier for Washington evening Feb 25. OMGUS summary and critical analysis being forwarded today.

Report is historical document clearly recording failure of present quadripartite government of Germany as frequently stressed by General Clay in Coordinating Committee meetings and as tacitly acknowledged by General McNarney at his last Berlin press conference on Feb 21. (See also this mission's despatch 8336 of January 6.²⁹) In effect ACA has not reached a single important decision since level of industry plan which in itself is not being implemented. Since deterioration of German situation and initial announcements last summer that Germany demanded attention of the Foreign Ministers, the ACA has taken no forward step but has actually retrogressed in relation to subsequent developments. This has occurred despite General Clay's leadership and energetic efforts to assert ACA authority. Tendency and atmosphere of last few months has been to leave everything to CFM. Report presents vivid picture of separate zonal autonomies and will be found useful in delineating issues awaiting decision; it is impressive in foreshadowing magnitude of tasks facing Moscow Conference.

Sent to Dept as 467. Repeated Paris as 77 to Moscow as 93 and to London for Ambassador Murphy as 101.

MUCCIO

740.00119 Control (Germany)/3-1547: Telegram

*The Acting Political Adviser for Germany (Heath) to the
Secretary of State*

SECRET

BERLIN, March 15, 1947—3 p.m.

644. Following recent establishment of so-called *Arbeitsgemeinschaft* between Socialist Unity Party (SED) in Berlin and Soviet

Ministers was divided into the following major sections: I. Demilitarization, II. Denazification, III. Democratization, IV. Economic Problems, V. Reparations, VI. Central Administration, VII. Population Transfers, VIII. Territorial Reorganization, IX. Liquidation of Prussia. The complete text of the Report, which has not been printed, is included in CFM Files, Lot M-88, Box 69. For General Clay's description of the circumstances attending the preparation of the Control Council's Report, see Clay, *Decision in Germany*, pp. 143-145.

²⁸ *Supra*.

²⁹ Not printed.

zone and Communist Party (KPD) in western zones (reference Morris' memorandum 227, February 26 addressed Raymond Murphy³⁰), it now appears Communists have decided endeavor spread SED immediately to western zones as well presumably with objective of presenting CFM with *fait accompli* including nation-wide SED capable of playing major role in establishment any central agencies or provisional government.

Prominent SED leaders, including Grotewohl and Pieck, began speaking tour American zone March 8, concentrating first on Hesse. Their speeches have emphasized necessity to establish united workers party throughout Germany. KPD convention for Hesse held March 8-9 formally endorsed constitution and objectives of SED, recommended all KPD organizations within *land* to consider merger of SED and KPD, and decided to hold special delegates convention to take "necessary organizational steps". *Neues Deutschland* for March 11 described this action as of "great historical significance, and the first step towards merger of the two Socialist parties in western Germany." Within last few days KPD leaders Hesse have inquired at local military government how party can change its identity and name to SED. This procedure will presumably be followed in remainder American zone if it proves successful Hesse. All available information still indicates, however, that vast majority SPD members American zone oppose merger idea. This also holds for British and French zones, except for certain localities where life is particularly hard, such as Ruhr and Hamburg. British, however, have thus far consistently refused to permit speaking tours their zone by SED leaders, on ground of absence of reciprocity for SPD and other leaders from western zones to visit Soviet zone, and fact that SPD not authorized there.

There is some difference of opinion in OMGUS as to whether: we can in fact forbid KPD changing its name to SED in our zone; and if we can do so, whether it would be wise. One school of thought believes that an SED so formed would attract so few social democrats that its hollow pretensions would rapidly become clear, thus not benefiting but in practice damaging the whole merger cause. However, it seems likely that SED would attract some Social Democrats, that the resulting party would be at least larger than present KPD and gradually attract more supporters. More important, we would thus permit extensions of a SED, organized almost year ago in northeastern Germany in a most undemocratic manner, to our zone, without at same time extracting any *quid pro quo* for reestablishment of SPD in Soviet zone. We would thus throw away trump card with which we might endeavor redress present situation Soviet zone, under which one of

³⁰ The memorandum under reference is not printed.

main democratic parties has been forcibly suppressed and the two other non-Communist ones (CDU and LDP) given such treatment that they may be regarded as little more than stage effects to give illusion of political democracy.

Under existing military government regulations we could well require referendum of members of both SPD and KPD throughout American zone, on *land* basis, in order decide this issue democratically as it was decided in Berlin last spring. Regardless of foregoing possibility, I suggest we should indicate clearly that question of authorizing SED in our zone hinges on equal rights for other parties throughout Germany, i.e. including SPD in Soviet zone.

This may well be one of major decisions yet made regarding political parties, and we would appreciate receiving views of Department as soon as possible.

Sent to Department as 644; repeated Moscow for Ambassador Murphy ³¹ as 166; Paris as 105; London as 115.

HEATH

740.00119 Control (Germany)/3-1547 : Telegram

The Acting Secretary of State to the Acting Political Adviser for Germany (Heath)

SECRET

WASHINGTON, March 21, 1947—7 p.m.

631. It is Dept's view that question raised urtel Mar 15 (rptd Moscow for Murphy as 166 ³²) is mainly tactical one which should therefore be decided in the field where you and MG officials in close touch with developments. Question one of tactics because no important change in political balance appears to be involved in decision to refuse or permit KPD to change name to SED in US zone. While reluctant set forth definitive views on this subject on basis info available here we glad outline tentative reaction to alternatives suggested urtel.

We are not convinced permission to let KPD change name to SED in US zone would result in attracting large numbers SPD, with consequent strengthening of SED organizations and weakening of rival democratic parties. On contrary it is possible that those disgruntled SPD members who might initially join SED would become thoroughly disillusioned, and that resulting demonstration of how SED works and exposure of its weakness might prove of definite benefit to all parties opposing SED and help to thwart SED hopes of bringing leftist forces in western zones under its control.

³¹ Ambassador Murphy was in Moscow for the Fourth Session of the Council of Foreign Ministers, March 10-April 24, 1947.

³² *Supra.*

As far as *quid pro quo* concerned we have some doubts regarding effectiveness bargaining SED entrance US zone against SPD entrance Sov zone. We understand technically SMA willing accept application SPD to function Sov zone but that SPD has not made application on grounds it would not be permitted function freely. As long as Soviets unwilling permit equal rights all political parties their zone, it is doubtful any practical results would follow attempt to bargain since they would advance technicality that SPD always at liberty submit application their zone. If, as we view it, practical realities of situation indicate little hope using this issue successfully as means opening up Sov zone to SPD, question reduces itself to local issue. We have idea SED leaders believe permission will be refused KPD to change name in US zone and that they intend use US refusal for propaganda purposes in order to claim "reactionary" US authorities oppose proletarian unity. Therefore, if granting request would not appreciably increase KPD (SED) strength in US zone and if bargaining this issue unlikely achieve real equalization rights all political parties in Sov zone, we see possible advantage in what would amount to surprise move on our part in interposing no objection to proposed change of name.

On basis foregoing we would not suggest requiring referendum on merger SPD and KPD, which of course would be one way to refuse SED entrance US zone. Rather than make permission SED in our zone conditional upon equal rights for SPD Sov zone, US authorities might reiterate US views regarding equal rights for all parties throughout Germany at time of granting request. These tentative views based on our estimate present situation. Situation may be clearer after CFM meeting Moscow when for example, *quid pro quo* may be easier to evaluate.

Sent Berlin as 631, rptd Moscow for Murphy as 620 Moscco 20.

ACHESON

740.00119 Control (Germany)/3-2447: Telegram

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

SECRET

Moscow, March 24, 1947—7 p.m.

983. Reported impending merger of German Socialist Unity Party (SED) of Berlin and Soviet zone with Communist Party (KPD) in western zones (Berlin's 644, March 15, to Dept, repeated Moscow 166, Paris 105, London 155 [115]³³) appears from here to be significant

³³ *Ante*, p. 856.

step in Soviet program for extending its political influence into western zones. Not to take active measures to resist this tactic would seem to me failure in respect to our responsibility to protect democratic and progressive elements of US zone (mytel 33, January 7, repeated Berlin 4, Paris 2, London for Delsec 3, paragraph 8³⁴).

Although it is not possible for Embassy Moscow to evaluate technical considerations raised in Deptel 631, March 21, to Berlin (repeated Moscow 602 [620]³⁵) I wish to express concurrence in Berlin's general view that to permit this development without exacting substantial concrete reciprocal concessions from Russians would seem to be playing right into their hands. At same time I should add I fail to understand why SED leaders Grotewohl and Pieck are permitted to operate in US zone, and why democratic treatment of US zone requires opening the door to the very forces hostile to that democracy it is our avowed purpose to nourish and support. Granted that political leaders from the west have been admitted to the Soviet zone, the fact remains that we are bound to lose on such exchanges until we are in position to insure the same freedom for the emissaries of democracy from the west as we have been according the missionaries of Communism from the east. It would be naive to assume that such a condition exists now.

Sent Dept as 983, repeated Berlin 154, London 103. Dept pass to Paris as 83.

SMITH

740.00119 Control (Germany)/4-847 : Telegram

*The Acting Political Adviser for Germany (Heath) to the
Secretary of State*

SECRET

BERLIN, April 8, 1947—8 p.m.

830. ReDeptel 631, March 21,³⁶ and Moscow Embassy's 154, March 24.³⁷ In reply to specific inquiry from SED Central Secretariat re party's authorization US Zone, CAD, OMGUS, has replied that we have no objection to holding of KPD conventions throughout American zone to express party sentiment on question of merging KPD with SED, reserving, however, right to approve or disapprove such organizational change at a later date. In this connection, SED's attention was drawn to current Moscow Conference discussion re unification Germany and establishment national German organizations including parties. Brief statement along these lines, omitting however reference Moscow Conference discussions, appeared *Neues*

³⁴ *Ante*, p. 139.

³⁵ *Supra*.

³⁶ *Ante*, p. 858.

³⁷ *Supra*.

Deutschland and *Taegliche Rundschau* April 3; articles also announcing holding KPD conventions in all parts American zone during April for above purpose.

It seems clear that these conventions will unanimously vote for merger KPD US zone with SED. OMGUS plans consider question in light outcome Moscow discussions before making final decision either to admit SED in US Zone without requiring some *quid pro quo*, or requiring majority vote by both KPD and SPD party memberships.³⁸

Though British have not yet made final decision re this matter, British Acting Political Adviser thinks they will not permit SED British Zone as long as a freely operating SPD is not permitted Soviet Zone. French Liaison Officer Stuttgart advises confidentially SED may be expected very shortly French Zone, possibly as result high level Paris negotiations. Thus far, however, no outward indications along this line.

Though opinion top SPD leaders is apparently not very strong either way, Schumacher seems inclined to think that authorization SED western zones would be good idea, tending to identify party and Communist cause there more closely with Soviets, and as SED would not be much larger than present KPD.

Sent to Dept, repeated to Moscow for Ambassador Murphy as 245 and to Paris as 144.

HEATH

862.00/4-1447: Telegram

The Acting Political Adviser for Germany (Heath) to the Secretary of State

CONFIDENTIAL

BERLIN, April 14, 1947—4 p.m.

871. Dramatic extraordinary session Berlin City Assembly April 11 voted non-confidence in Lord Mayor Otto Ostrowski (SPD) by 85 against 20 with one abstention. Remytel 493, February 28.³⁹ Motion

³⁸ Telegram 929, April 18, from Berlin, not printed, reported that Gen. Clay, during a press conference at Frankfurt on April 16, made the following statement regarding prospects for the authorization of the Socialist Unity Party to operate in the United States zone:

"Regarding authorization new parties, US policy insists only that they be organized on democratic foundations. I am not convinced SED established democratically. But as party has not yet made official application for authorization US zone, I cannot answer question. However, it is my opinion that its authorization is dependent upon that of SPD in Soviet Zone." (740.00119 Control (Germany)/4-1847)

³⁹ Not printed; it reported a strong movement among some German Socialist Party (SPD) leaders, who had long been critical of Ostrowski's delay in eliminating the excessive number of Communist officials from the city government, to force Ostrowski's resignation (862.00/2-2847).

of non-confidence was put by Ostrowski's own party and supported by CDU and LDP. SED leaders strongly defended Ostrowski. Motion was originally to demand resignation entire *Magistrat*. Necessary two-thirds majority to carry this was lacking since about ten CDU leaders were campaigning in British Zone elections and LDP would not support motion.

Although Ostrowski has not yet resigned, crisis of major importance in relations between Berlin city govt and allied Kommandatura may be forced by non-confidence vote. SPD dissatisfaction with Ostrowski stems not only from his inefficiency and his unauthorized coalition negotiations with SED but also from his failure to remove excessive SED members from city administration. Elected *Magistrat* was originally hindered from making widespread purge by contract between previous Soviet appointed *Magistrat* and FDGB, each have joint appeals commissions of six SED members final authority on hiring and firing. Ostrowski had legal authority denounce this contract but did not exercise it. SPD now intends renegotiate contract to eliminate FDGB political controls over city govt. Moreover, *Magistrat* feels hindered by Kommandatura agreement February 28 on leading persons whose hiring, firing or transfer require Kommandatura approval. In city assembly debates, SPD speakers pointed out that Ostrowski had asked Kommandatura for such directive. SPD leaders feel Ostrowski should have fired SED officials first and told Kommandatura of new appointments. As situation now exists, SED still runs city administration through its control of bureaucracy and sabotages from Communist policies.

SPD plans elect Ernst Reuter new Lord Mayor. Reuter is strong man and vigorously anti-Communist. He is now department chief for electricity and gas, Berlin *Magistrat*. Reuter has never been confirmed in office by Kommandatura because of Soviet opposition but holds position provisionally. Soviets have led steady fight in Kommandatura against him, charging inefficiency, failure obey Kommandatura electricity sub-committee orders and insolence to allied representatives. French have sided with Soviets in demanding his removal, which Americans and British oppose. Therefore seems certain Reuter would not be confirmed as Lord Mayor. Although he might be permitted provisionally hold office since Americans and British have never admitted that elected *Magistrat* members need Kommandatura approval, Soviets could prevent him from entering office. This would probably lead to SPD, CDU and possibly LDP refusal to govern Berlin further.

Russians through Kommandatura have already obstructed city government to point of exasperation through refusal permit reorganization education department and firing ten SPD officials there (Soviet

view agreed to by Kommandatura Education committee), rejection creation youth department and department for defense of democracy, refusal permit dissolution SED dominated womens committee, delay in handling some city assembly laws, attacks on Reuter and others, etc. French have often supported Soviets, and Americans and British have sometimes and reluctantly acceded to compromises on Soviet proposals when to have done otherwise appeared inadvisable. SPD directed by Schumacher now intends force showdown as to what democracy means as regards Berlin Govt.

Sent Department as 871; repeated Moscow for American Delegation CFM as 255, Paris as 149; London as 137.

HEATH

862.5043/4-1447: Telegram

The Acting Political Adviser for Germany (Heath) to the Secretary of State

CONFIDENTIAL

BERLIN, April 14, 1947—9 p.m.

879. Communists have made further progress in their attempt achieve control entire German Trade Union movement and seem still to be gaining strength among workers. Following are latest milestones in Communist march:

1. After winning 83 percent of delegates to Berlin FDGB city convention through allegedly non-political shop elections and borough conventions, SED easily elected new directing committee in March 29-30 convention (reference my telegram 732, March 26⁴⁰). SPD proposition announced rejection Walter Ulbricht's offer of one-third representation and contented itself with five members representing individual unions. Nevertheless, SED elected six more nominal SPD members, not members of independent democratic opposition. Composition new directing committee: 17 KPD, 13 non-Communist SED, 11 SPD, 4 CDU, 0 non-party. April 8 new directing committee elected executive of 7 SED, 1 CDU (Minna Amann), 1 SPD (Nicolaus Bernhard, who follows SED line and refused membership in opposition); Roman Chwalek (KPD-SED) remains first chairman, Hermann Schlimme (SED) second chairman, Bernhard third chairman. Thus Communists control 500,000 Berlin members in addition to 3,500,000 Soviet zone members. Only 3,000,000 in three western zones.

2. In last two months with active help Louis Saillant and at least no visible interference by French MG, Communists have gained almost all leading positions in French zone trade unions (300,000 members). Saillant appointed Communist to head Provisional Zonal Committee. By order Governor General, Henry Rutz, AF of L representative in Germany, now forbidden visit French zone.

⁴⁰ Not printed.

3. Communists have long controlled most work councils of Ruhr miners, now hold 40 percent leading positions British zone miners union (250,000 members) including First Vice Presidency (Wilhelm Agartz). While doubt exists that they precipitated recent miners strikes, they certainly took leadership of them while Social Democratic leaders opposed strikes and counseled moderation.

4. Metal workers unions throughout Germany (1,000,000 members) now for all practical purposes under Communist control though some respected old SPD leaders still tolerated in top positions (Brunner, President Wuerttemberg-Baden metal workers; Max Bock, President Hessians' Union.)

5. Trade Union Federations Nuremberg, Mannheim, Wiesbaden and other US zone cities effectively under Communist leadership.

6. At first official convention Bavarian Trade Union Federation March 27-29, Wilhelm Schmidt (KPD, former Bavarian de-Nazification Minister), who was not delegate and was forcibly excluded from hall, received 104 of 450 votes for Presidency and was elected to nine-man *land* executive with 170 votes.

Above information collected by labor officer this Mission from newspapers, OMGUS Manpower Division, Henry Rutz, SPD leaders, etc. Analysis of causes follows.

Sent Department as 879, repeated Moscow for American Delegation CFM as 258, to London as 141, to Paris as 151.

HEATH

862.00/4-2347 : Telegram

*The Acting Political Adviser for Germany (Heath) to the
Secretary of State*

CONFIDENTIAL

BERLIN, April 23, 1947—9 p.m.

974. Crisis Berlin city government sharpened by resignation Lord Mayor Ostrowski April 17 and Soviet refusal accept it in Kommandatura April 22. Remytel 871, April 14.⁴¹ Uninterrupted attacks by SED press on SPD and CDU for forcing resignation presaged strong Soviet effort to prevent non-Communist majority from having its way, although city assembly has refrained from electing new Lord Mayor. Ostrowski has taken leave after appointing Luise Schroeder (SPD) his alternate. In Kommandatura April 22 Americans, British and French favored immediate acceptance Ostrowski's resignation but Soviet proposed that local government committee investigate reasons behind it. When other Allies remained firm, General Kotikov read long statement accusing city assembly of playing politics instead of doing constructive administrative work, charging that SPD forced Ostrowski out because he was too friendly to Soviets, and complaining

⁴¹ *Ante*, p. 861.

of alleged American support to SPD intrigues. General Keating replied that political issue behind resignation was of no interest but that real issue was whether Allies were willing to let Germans govern themselves. After three hour debate, issue was postponed to special Kommandatura meeting April 28.⁴²

Sent Dept, repeated Moscow for American Delegation CFM as 290; Paris as 171; London as 158.

HEATH

862.00/4-2547 : Telegram

The Acting Political Adviser for Germany (Heath) to the Secretary of State

BERLIN, April 25, 1947.

997. Soviet-overt *Taegliche Rundschau*, April 23, published text General Kotikov's statement⁴³ in Kommandatura April 22 on resignation Ostrowski (Remytel 974, April 23⁴⁴).

Colonel Howley in press conference afternoon April 23 answered this statement as follows :

It is not American policy to discuss differences among the Allies before the German press but we had no choice when one ally brings its own standpoint before the public. It offended our sense of political fairness when we must repeatedly see how the Soviet representative in Allied Kommandatura attacked one of the political parties when this party could not defend itself. A part of the Soviet assertions also were not in accord with the facts. Functioning of the Democratic elected city government had up to now repeatedly been hindered by Soviet representatives in Kommandatura. (Howley read extracts from minutes of Kommandatura meetings to prove this point.) The Americans were of the opinion that city assembly may decide completely independently as to the qualifications of lord mayor and may freely elect successor to Ostrowski without necessity Allied approval. It was important that Berlin population know which power from first day of office of new *magistrat* had attempted oppose this city government. It was that power which tolerated no criticism of former city government which was the Communistic and SEDistic appointee of Red Army. Under the given circumstances the new city government had worked well according to American opinion, since it has been in office there has been no scandal and no disappearance of food has occurred as under the previous *magistrat*. (At this point, Howley read figures of food losses in 1945-46 and in name of American Military Govern-

⁴² At an extraordinary Kommandatura meeting on April 28, no agreement was reached regarding the acceptance of Ostrowski's resignation, and the matter was referred to the Allied Control Council.

⁴³ For the text of Gen. Kotikov's statement, see Berlin (West) Landesarchiv, *Berlin: Quellen und Dokumente 1945-1951*, 2 Halbbände (Berlin, Heinz Spitzing Verlag, 1964), No. 668, p. 1181.

⁴⁴ *Supra*.

ment Colonel denied interference in German political matters.) The assertions printed in *Taegliche Rundschau* were in American opinion not only a violation of Control Council Directive No. 40⁴⁵ but also violation of gentlemen's agreement regarding secrecy of proceedings in Kommandatura. A year ago we said that it was of no concern to us whether SPD or some other party controlled government. We shall support any elected government. We had never attempted to kill any of the political parties in this city. Howley added opinion American MG that on basis provisional Berlin Constitution city assembly elected its own government which automatically takes office. Soviet MG had always been of opinion that every official must be approved by Kommandatura. Soviets also insisted that all measures of *magistrat* must be approved by Kommandatura. American view was that this would give present *magistrat* fewer rights than its predecessor which needed approval only in fundamental matters. In answer to question Howley declared he could not believe that a power would not approve Ostrowski's resignation, however, if this occurred then Ostrowski would remain in office since unanimous approval for his resignation was necessary.

British issued similar declaration April 23 concluding that since city assembly with overwhelming majority expressed non-competence against Ostrowski and he therefore resigned, allied Kommandatura has no choice but to recognize resignation.

April 25 *Taegliche Rundschau* and Soviet licensed press carried reply to Howley by Colonel Jelisarov which differed only slightly from Kotikov's original statement by which he attacked Ulrich Biel (official of American Berlin Military Government) for alleged support SPD intrigues.

HEATH

740.00119 Control (Germany)/5-547

*Press Release Issued by the Office of Military Government (US),
May 3, 1947*⁴⁶

— “US Military Government has received application from the Bavarian Communist Party (KPD) to merge with the Socialist Unity Party (SED) of Germany. Permission has been denied for the following reason:

“While the SED Party claims to represent an amalgamation of the Social Democratic and Communist Parties, no request has been received from Social Democratic (SPD) leaders to join in the proposed merger. Military Government cannot approve a change in

⁴⁵ Control Council Directive No. 40: Policy to be Followed by German Politicians and the German Press, February 3, 1947; for text, see *Germany 1947-1949*, p. 598.

⁴⁶ The source text was transmitted to the Department of State in telegram 1075, May 5, 1947, from Berlin, not printed.

name by the Communist Party in Bavaria to SED, which would imply an amalgamation of SPD and KPD that has not occurred.

"This decision is made without prejudice to the general freedom of operation which Military Government extends to all democratic political parties in the US zone of Germany. There is no objection to amalgamation of parties on a zonal basis, provided the merger is voluntary, mutual and corresponding to the wishes of the members of both parties concerned. The question of the status of Germany-wide political parties has not yet been decided by the Allied Control Authority."

862.00/5-1147: Telegram

*The Political Adviser for Germany (Murphy) to the
Secretary of State*

SECRET

BERLIN, May 11, 1947—noon.

1124. Visit to Frankfurt, Stuttgart and Munich this week afforded me opportunity to meet with the Minister Presidents of Hesse, Wuerttemberg-Baden, Bavaria and Bremen as well as other Germans including a trades-union delegation. Except for the immediate post-combat period in 1945 when Germans were stunned by events I have not found German morale any lower than it is today. In each conversation it was stated that Moscow Conference provided source of great deception not because Germans expected peace treaty but they did hope for decision concerning economic unity and some relief from uncertainty regarding their economic future. No encouragement was vouchsafed them. They expressed anxiety over possibility of US-USSR conflict with Germany occupying a painful position between the upper and nether millstones. This is particularly true in Bavaria. Worry is universal that in absence of allied agreement economic conditions will worsen leading to another terrible winter. There is evident a growing hopelessness based on inadequate diet, acute commodity scarcity, crowded housing conditions and uncertainty.

Bavaria's invitation, extended with our approval to all German Minister Presidents to meet at Munich June 6 stems from desire expressed by Minister Presidents US Zone to improve morale by demonstrating German initiative to cope with practical economic and social problems. The French and Soviet zonal authorities have not yet indicated whether they will approve attendance by Germans residing their respective zones. The keynote of this invitation is determination to improve conditions because "the German people physically and psychologically will be unable to stand another winter of hunger and cold under miserable housing conditions in destroyed cities and in economic and political hopelessness."

In our discussions with Germans we stressed the large and important US contribution of food making comparison with graver plight German people would have suffered if US deliveries of hundreds of millions of foodstuffs were not available. We are urging that continued emphasis be made by information media on this US assistance as compared with absence of any deliveries by USSR for example.

It is apparent that German sentiment is increasingly troubled. The shock of the combat period has subsided. Under pressure of economic misery German determination to survive will undoubtedly be manifest in future political action.

MURPHY

740.00119 Control (Germany)/5-2447 : Telegram

*The Political Adviser for Germany (Murphy) to the
Secretary of State*

CONFIDENTIAL

BERLIN, May 24, 1947—6 p.m.

1255. Soviet member at yesterday's Kommandatura meeting presented a statement sharply attacking the American attitude on question of relationships between the Kommandatura and Berlin city government organs. Soviets charged that American representatives are seeking to introduce the principle of "unanimous post disapproval of the actions of the authorities in Berlin" in violation of the agreement under which the allied Kommandatura exercises joint control of greater Berlin. This agreement, he stated, can only be changed by agreement of the allied governments. While the American delegation, he said, based its efforts to introduce this principle on allegation that time had come to delegate more freedom and independence to city government in control of Berlin (which he conceded was called for under the temporary constitution approved by the Kommandatura), he declared that the Kommandatura must never forget that occupation regime binds occupying powers to daily observance and control of activity of German organs and that allied Kommandatura has not been relieved of this necessity by Control Council or higher authority. He went on to cite a number of specific instances of alleged violations of Kommandatura orders by city functionaries and of disrespectful conduct toward the allies which the Kommandatura had failed to deal with because of the fruitless discussions in the Kommandatura under the "unanimous post disapproval" principle.

The statement ended by declaring that if the principles which had been agreed upon for control of Germany, and of Berlin in particular, have become burdensome for the US, then it is at liberty to open the question of revision of the four-power agreement of the "control

mechanism in Germany." His concluding words were that the Soviet delegation would not permit disorganization of the occupation regime in Berlin nor allow the allied Kommandatura to be reduced to the status of an unprivileged observer of city government activity.

When pressed by British chairman as to whether he wished to make specific proposal, Soviet member said he only wanted to insist upon observance of agreements under which allies are operating in Berlin.

American member made no reply except to say statement would require careful study.

Soviet statement will, by agreement, be on agenda of next meeting June 13.

Repeated Moscow 329 and London 202.

MURPHY

740.00119 Control (Germany)/5-2947: Telegram

*The Political Adviser for Germany (Murphy) to the
Secretary of State*

SECRET

BERLIN, May 29, 1947—4 p.m.

1287. Dismal atmosphere of disagreement prevented 123rd [meeting] Coordinating Committee May 28 from completing more than half of agenda.⁴⁷ Items bearing on CFM decisions⁴⁸ reported below. Dratvin has succeeded less rigid member Kurochkin, who is reported to have left Berlin permanently.

(1) CORC distributed agreed CFM decisions to various directorates for action. Land reform referred to ECON for periodical progress reports. British chairman considered it waste of time to place on ACC agenda at present date list of disagreed questions in part 1, CFM document 148. Soviet member dissented stating ACC should attempt to resolve these disagreements preparatory to November CFM. CORC adopted solution that these questions could be raised in:

⁴⁷ The state of affairs in the Coordinating Committee had been described by Murphy in telegram 1107, May 7, from Berlin, not printed, as follows:

"Although marked by cordiality 121st meeting Coordinating Committee May 7 was largely unproductive and side-stepped most issues presented to it. Memory fails as to when in recent months Coordinating Committee has succeeded in reconciling differences in directorates resulting from largely Soviet and not infrequent French intransigence.

"In present state of impotence of control authority tendency has developed whereby Coordinating Committee has not attempted to debate conflicting positions of delegations in directorates but merely withdraws papers from agenda." (740.00119 Control (Germany)/5-747).

⁴⁸ The decisions with respect to Germany of the Council of Foreign Ministers at its Fourth Session, Moscow, March 10-April 24, 1947, were transmitted to the Allied Control Council for Germany in document CFM (47) (M) 158, May 10, 1947, p. 470.

pertinent directorates on initiative of any member prepared to discuss them.

(2) With respect to reduction of armed forces, deadlock reached on definition and numbers (mytel 1107, May 7⁴⁹). US and Britain insisted limitation should apply to all military personnel. Soviet and French maintained it should apply only to occupation forces exclusive of military personnel serving with and assisting military government administrations. French however prepared to consider limitation on latter. British and US ready to agree to any reasonable limit on latter group, and British chairman asked Soviet if he could accept 10,000 maximum. Latter replied he could only give figure for occupation forces. With respect to Soviet proposal maintained in ACA that US and Britain should have combined strength of 200,000 as against same figure for Soviet zone, British chairman stated that despite high regard for US, he opposed sharing armies and must insist on separate quota. He would accept 200,000 for Soviets provided Britain were authorized same maximum, which however, they might not utilize. Citing larger areas and populations of US-British zones, US member asked reason for parity of occupation forces claimed by Soviets. Soviet member said he could not answer and that he adhered to figure proposed for US-British zones. Question referred to Control Council May 31 meeting.

(3) In view of bitter feelings engendered in economic directorate over Soviet obstructionism in delaying departure of inter-allied commissions investigating war industrial potential, British Chairman expressed pessimism regarding agreement and proposed deferment of discussion pending completion of plan by July 1 for liquidation of category one plants as directed by CFM (mytel 665, March 19⁵⁰). In reply to French question, Soviet member stated he agreed to dispatch of investigating teams although British member pointed out doubt existed as to their competence under directive 39. Coordinating Committee decided teams should depart within ten days and that ECON in meantime should complete category one liquidation plan and submit report on work of first group of teams dispatched in January.

Repeated London as 206, to Paris as 219 and to Moscow as 333.

MURPHY

⁴⁹ Not printed; it reported that the Coordinating Committee had decided to initiate action on decision of the Council of Foreign Ministers regarding the reduction of occupation forces in Germany without waiting for receipt of the official text of the CFM decisions (740.00119 Control (Germany)/5-747). At its 61st Meeting, May 10, 1947, the Control Council had confirmed the Committee's action.

⁵⁰ Not printed.

740.00119 Control (Germany)/6-147 : Telegram

*The Political Adviser for Germany (Murphy) to the
Secretary of State*

SECRET

BERLIN, June 1, 1947—3 p.m.

1313. 1. Control Council May 31 unable to resolve deadlock on reduction of armed forces (mytel 1299, May 29⁵¹). Soviets continued to insist on exclusion of military administration from reduction. With respect to numbers, Soviet member introduced novel and singular argument that Soviets required at least 100,000 more men than any combined figure for US and British Zones, because Berlin lay in center of their zone. Soviet member described Berlin as historic capital of Germany and major political and strategic point against which Soviets must safeguard themselves in any eventuality. Clay pointed out Berlin not yet chosen as new German capital and that its control was quadripartite responsibility. He did not insist on parity of forces and stated he could accept figure of 200,000 for Soviets and 140,000 for US. Clay also stated that if additional forces were necessary for security Berlin, US would be prepared to provide its proportional share. Sokolovsky rejected Clay's assurance as unfounded and a paper commitment, stating that even if US was prepared to increase its forces in Berlin, there would be no accommodation for them since Soviets themselves were obliged by lack of housing to maintain their headquarters outside of Berlin. He mentioned Soviets had suffered more than other allies and referred to larger figure for Soviets proposed by Secretary Byrnes at New York CFM.

British member described Soviet argument as complete red herring and, stated on area and population basis, British were justified in claiming largest troop contingent but while insisting on theoretical right of party he would agree to 156,000 for British. French member suggested 70,000 figure for French Zone. Soviet member dismissed arguments regarding area and population as unimportant and stated Soviets in any event must have additional 100,000 men because of obligation to maintain security of Berlin.

ACC decided to report disagreement to govts but on Soviet suggestion, it was agreed that if any delegation receives "new information" from its Foreign Minister, discussion may be resumed.

It is evident that Sokolovsky was careful not to slam door on this question. British attitude has not been particularly helpful in obtaining agreement which would reduce ceiling of Soviet forces to 200,000. We know from statements made by Montgomery that British are deter-

⁵¹ Not printed.

mined to maintain in Germany for troop-training conveniences, difficult in England because of space and financial reasons, a force larger than strict occupational needs dictate. We know also that our own forces will suffer automatic reduction because of smaller appropriations.

As matters now stand in Germany, I see no political advantage in maintenance of large bodies of troops and I doubt that preliminary wrangling with Soviet High Command here will produce results. An analogous case is that of Czechoslovakia. Dept will recall our recommendation in 1945 for removal our forces without prior agreement with USSR.⁵² In absence of agreement latter did remove its troops from Czechoslovakia shortly after departure US forces.

I am convinced Soviet authorities also consider large forces in Germany political liability but will maintain them in proportion Allied troop total in western Germany zones. We are thus in vicious circle. I firmly believe we would be justified in taking our own initiative which in any event our appropriation condition will require. I believe General Clay substantially shares this view.

2. With respect to problem of Berlin mayor, Soviet member proposed ACC instruct Kommandatura to approve Ostrowski's resignation, charge Frau Schroeder to perform temporarily functions of chief mayor, and direct *magistrat* to proceed with elections of new chief mayor (mytel 1300, May 29⁵³). US member accepted proposal on condition it did not sacrifice principle or create a precedent. British and French accepted on same basis. Thus was concluded weeks of debate in Kommandatura and CORC but the question of principle regarding prior or subsequent approval of municipal acts remains undecided.⁵⁴

⁵² See despatch 1197, October 17, 1945, from Frankfurt, and the enclosures thereto, *Foreign Relations*, 1945, vol. iv, pp. 497 ff.

⁵³ Not printed.

⁵⁴ Subsequently a disagreement arose in the Berlin Kommandatura and in the Coordinating Committee regarding the interpretation of the Control Council's decision on the procedure for the election of a new Berlin Mayor (*Oberbürgermeister*). The United States, British, and French representatives maintained that the election of a new mayor should be carried out by the Berlin City Assembly at the request of the *Magistrat* in accordance with the provisions of the Berlin Constitution. The Soviet representatives insisted that the *Magistrat* should elect the new Mayor. When the problem was again taken up by the Control Council at its 63rd Meeting, June 9, the Soviet Delegation indicated willingness to agree to the election of a new Mayor by the City Assembly if there was recognition of the principle that the election of the new Mayor required the unanimous approval of the Berlin Kommandatura. According to the Minutes of the Council's meeting, (copy transmitted to the Department as enclosure 1 to despatch 10339, June 26, from Berlin, not printed), Gen. Clay made the following statement which was supported by Gen. Robertson:

"General Clay stated that he did not deviate from the principle that those acts of the *Magistrat* undertaken in accordance with the rights granted to it in

Footnote continued on following page.

3. Sokolovsky announced Kurochkin had been given new post and that Dratvin would succeed him on Coordinating Committee.

Repeated London as 210, to Paris as 223, Moscow via Dept as 338.

MURPHY

[At its 125th Meeting, June 17, 1947, the Coordinating Committee of the Allied Control Authority discussed the agreement reached on May 29, 1947, by American and British occupation authorities for the reorganization of bizonal economic agencies. For a report on this meeting, see page 926.]

740.00119 Control (Germany)/7-1047 : Telegram

*The Political Adviser for Germany (Murphy) to the
Secretary of State*

SECRET

BERLIN, July 10, 1947—8 p.m.

1652. ACC discussion of Reuter case⁵⁵ at 66th meeting, July 10 ended in a somewhat ambiguous conclusion (mytel 1637, July 9⁵⁶). Clay explained he had agreed to requirement of allied approval for chief mayor for reason Berlin Government should have quadripartite support (mytel 1404, June 10⁵⁷). He had not assumed that one delegate would exercise veto without presenting ACC with valid grounds. He would not expect colleagues to reject a candidate he simply did not like. Clay proposed Soviets submit statement of facts regarding Reuter to next ACC meeting for final decision.

Soviet member replied ACC decisions required unanimous and not majority vote. He reverted to Ryan July 7 press interview⁵⁸ as gross

the Berlin Constitution do not require approval by the Allied Kommandatura. He was ready to agree that the election of the *Oberbürgermeister* by the Municipal Assembly in accordance with the Constitution should be submitted to the Allied Kommandatura for approval." (740.00119 Control (Germany)/6-2647) The Council then agreed to instruct the Kommandatura to accept Ostrowski's resignation, to authorize Frau Schroeder to act temporarily as Mayor, and to instruct the City Assembly to elect a new Mayor subject to the approval of the Kommandatura.

⁵⁵ Ernst Reuter was elected Lord Mayor (*Oberbürgermeister*) of Berlin by the Berlin City Assembly on June 24, 1947. At its meeting on June 27, the Allied Kommandatura failed to agree on the confirmation of Reuter's election. The American, British, and French Commandants all voted for approval, but the Soviet Commandant objected on the grounds that Reuter was unacceptable to Soviet authorities because of his alleged anti-Soviet attitudes. The question was considered by the Coordinating Committee at its 128th Meeting, July 8, but no agreement was reached.

⁵⁶ Not printed; it reported on the Coordinating Committee meeting of July 8 (740.00119 Control (Germany)/7-847).

⁵⁷ Not printed; it reported on the Control Council's 63rd Meeting, June 8; see footnote 54, p. 872.

⁵⁸ In a statement to the press on July 7, Major General Ryan had outlined the disagreement in the Allied Kommandatura regarding the Reuter election.

violation of secrecy intended to exert pressure on Soviets. Pursuing line of Kotikov interview in this morning's *Taegliche Rundschau*⁵⁹ attacking SPD for making politics at the expense of efficient city administration, Soviet member pointed out SPD had elected Reuter in defiance of previously announced Soviet disapproval and were determined to place *magistrat* in opposition to occupation authorities. By supporting SPD, US and British made themselves responsible for present crisis which could only be resolved by election of another candidate. British member referred to Soviet obstructionism in opposing will of large majority in City Assembly. He opposed new election, since *magistrat* might re-elect Reuter, and he suggested *magistrat* be informed of non-approval of Reuter and that status quo be maintained with present acting chief mayor.

Soviet member proposed that Kommandatura be informed that no agreement was reached and that Reuter was not approved in view of Soviet objection; he indicated that new election should then be held. British member continued to oppose suggestion regarding new election. The ACC accepted above-mentioned draft of communication to Kommandatura with US member insisting that decision be published in communiqué.⁶⁰

Sent Dept 1652, repeated London 249, Paris 281, Moscow 397.

Dept please pass to Moscow.

MURPHY

740.00119 Control (Germany)/7-1247

*The Political Adviser for Germany (Murphy) to the
Secretary of State*

SECRET

BERLIN, July 12, 1947.

No. 10442

SIR: I have the honor to inform the Department that Herr Jakob Kaiser, a leader of the CDU, called upon me and Mr. Heath and stated he was considerably disquieted over four recent developments:

(1) The recrudescence of Soviet deportation of German technicians for work in the Soviet Union.

⁵⁹ The text of Kotikov's interview is printed in *Berlin: Quellen und Dokumente 1945-1951*, 2 Hlbd., No. 674, p. 1195.

⁶⁰ After four weeks of disagreement regarding the form of the Allied notification on the Reuter case during which the United States Delegation had held out for inclusion of an indication that the Soviet objection was responsible for the non-approval of Reuter's election, the Allied Kommandatura agreed on August 12 to notify the Berlin City Assembly as follows: "The Allied Kommandatura has not found it possible to approve Dr. Reuter in the post of *Oberbürgermeister*"; see telegram 1954, August 14, 1947, from Berlin, not printed (740.00119 Control (Germany)/8-1447). Frau Schroeder continued to serve as Acting Lord Mayor until December 1948.

(2) Increased pressure of the Soviet Military Administration on the CDU and the LDP to join with the SED in a "popular front" in the Russian Zone.

(3) The rumors that, as a consequence of the Anglo-American bizonal fusion and now of the "Marshall Plan", the western zones would completely separate from Soviet occupied Germany and that the western Allies would withdraw their representation from Berlin.

(4) The increasingly critical attitude of the CDU of western Germany towards Kaiser's efforts to maintain a *modus vivendi* with the Soviet Military Administration.

Inquiry was made of Kaiser whether he had a list of recent deportations of German technicians. He said he did not but would furnish one. He displayed a letter ordering an engineer in a Weimar factory to report to Chemnitz for a two-week period. It was remarked that this appeared to be only a temporary matter, but Kaiser insisted that it was a prelude to deportation.

Kaiser said that he was determined not to sacrifice what independence he had been able to maintain for the eastern CDU by putting it into a "popular front" under Communist (SED) domination. However, he was only able to wage a battle for party independence and existence because of the previous confidence of his local leaders that the western Allies would remain in Berlin. If the western powers were going to get out of Berlin, the fight was lost and the Bolshevization of the eastern zone of Germany, which was fairly advanced, would be speedily carried to completion. Kaiser left a memorandum presenting closely-reasoned arguments concerning the danger of a western withdrawal from Berlin. A summary is enclosed with this despatch.⁶¹

Kaiser was informed personally that United States officials were far from entertaining the belief that the United States would withdraw its representation from Berlin. The United States was here by virtue of a quadripartite agreement, and it would stand on that agreement. The purpose of the bizonal arrangements with the British Zone⁶² and of the "Marshall Plan"⁶³ was not to separate Germany. Kaiser was informed that, on the contrary, they were necessary interim steps toward the goal of a unified, democratic Germany.

With respect to items (2) and (4) above, a point to be borne in mind is the tendency of the Berlin branches of the CDU and LDP to seek greater independence from the Soviet zonal organization of their parent parties. In the CDU the leader of this movement has been Herr

⁶¹ Neither the Kaiser memorandum nor the summary are printed.

⁶² For documentation on American-British bi-zonal economic arrangements, see pp. 909 ff.

⁶³ For documentation on the European Recovery Plan (the Marshall Plan), see volume III.

Landsberg, who has worked closely with the SPD but who was replaced by Herr Schreiber in the elections of this spring when party discipline was invoked to insure the choice of a Berlin party chief more amenable to the interests of the zonal party as represented by Herr Kaiser. Although the tendency toward revolt within the CDU has been stilled, the feelings of the Berlin CDU doubtless played a role in the decision to support the SPD candidacy of Reuter for chief mayor of Berlin. However, in the LDP, which comprises a medley of talents ranging from the lowest in mediocrity to a commendable height in independence, the Berlin branch staged an open revolt against Dr. Kuelz at the recent Eisenach party conference and presented a united minority opposition against his re-election as party chief by 253 against 23 votes.

Respectfully yours,

ROBERT MURPHY

862.515/7-1847

*The Department of State to the French Embassy*⁶⁴

SECRET

AIDE-MÉMOIRE

It has been almost a year since the United States introduced in the Allied Control Council a proposal for a program of financial reform for Germany. As was then stated, the United States views financial reform along the lines of the United States proposal as an urgent and essential requisite to the revival of the German economy and to the stability of any eventual new German Government to be established along Democratic lines.

⁶⁴ This *aide-mémoire* was also sent to the British Embassy. A memorandum of September 22, 1947, from Charles C. Hilliard, Assistant for Financial Policy, to Assistant Secretary of State Charles E. Saltzman, provides the following information regarding this *aide-mémoire*. During the spring of 1947, British and French representatives on the Allied Control Authority for Germany had agreed to a Soviet proposal that at least a portion of any new German currency issue be printed in Leipzig in the Soviet Zone of Occupation. At a meeting of State, Treasury, and War Department representatives in Washington on June 17, 1947, it was agreed to instruct General Clay to try to obtain British and French agreement to return to their original position, which was also the American position, that the entire new issue of German currency be printed in Berlin. If such British and French agreement were attained, General Clay was to offer to place the Berlin Printing Office, located in the United States zone of that city, under full quadripartite control. If such agreement were not attainable, General Clay was to propose to the British and French that the printing of a new currency issue be initiated on a tripartite basis with the Soviet authorities informed and perhaps invited to send an observer. On July 18, 1947, pursuant to a teleconference between General Clay in Berlin, and General Hilldring and Assistant Secretary of War Petersen in Washington, the *aide-mémoire* printed here was sent to the French and British Embassies. As of September 22, 1947, no replies had been received from the British and French in response to the Department's *aide-mémoire* (862.515/6-1247).

Tentative agreement was reached in the Finance Directorate last Fall on the most urgent aspect of the proposal, namely, the replacement of the reichsmark by a new currency to be called the Deutsche-mark. Agreement has not been reached by the Occupying Powers on where the new currency is to be printed.

The United States proposed the printing of the new currency in the Reichsdruckerei, which is located in the United States sector of Berlin, under quadripartite supervision which would extend to the distribution and issuance of the currency. To make the Reichsdruckerei more accessible to all members of the Allied Control Council, the United States volunteered to place this facility under direct control of the Allied Control Council. In the view of the USSR, printing should proceed simultaneously in Berlin and in Leipzig (Soviet Zone) under quadripartite supervision. The Governments of France and the U.K. are understood to have agreed to either proposal provided adequate quadripartite supervision is established.

This Government maintains its position that the appropriate place for the printing of a new German currency to be used throughout Germany is in Berlin where the advantage of equal access by each of the four powers to the printing facility contrasts to the very limited access which will prevail in Leipzig. In addition, there is a further advantage to be gained in the efficiency of printing in a single establishment. In contrast, no particular advantages have been advanced by the USSR in support of its position. The United States Government cannot, therefore, accept the Soviet position.

However, the United States Government believes this impasse should not be continued. So long as currency reform is not achieved, the attainment of economic revival in Germany, which is important to all of Europe and to the attainment of the objectives of the Occupying Powers in Germany, is retarded. The Government of the United States proposes, therefore, that the governments of the United Kingdom and France agree to support the following :

Printing of a new currency for all of Germany should proceed in the Reichsdruckerei in Berlin which would be placed under the direct control of the Allied Control Council. Should the USSR join in this view, the four powers should agree on the necessary measures to ensure effective and adequate quadripartite control over the printing, distribution, and conditions of issuance of the new currency.

The purposes of this proposal by the United States are manifest: Because of the urgency of a financial reform program it is considered essential that a new currency be available in the event of quadripartite agreement to proceed with such a program.

The United States cannot emphasize too strongly the importance which it attaches to this matter. The delay in introducing financial

reform in Germany has retarded materially the progress of the occupying powers in the achievement of their aims. Inasmuch as it has been estimated that at least eight months is required after the taking of a decision to proceed with the currency printing, before the new currency is available, proceeding with the printing of a currency at this time will keep to the minimum the additional time required between the decision to undertake quadripartite reform and the carrying out of that decision.

If the governments of the United Kingdom and France agree to the United States proposals, the United States representative to the Allied Control Council will be instructed to state the United States position in the Allied Control Council.

WASHINGTON, July 18, 1947.

740.00119 Control (Germany)/7-3047: Telegram

The Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, July 30, 1947—9 p.m.

1816. 1. Despite cordial and congratulatory mood occasioned by Sokolovsky's return after two months absence and his receipt of Lenin order on fiftieth birthday, 67th ACC July 30 failed to bridge disagreement on audience for German Ministers Presidents (mytel 1759, July 24⁶⁵). Mentioning both draft statements criticized allies British member described Munich document as generally objective and moderate whereas Soviet zone declaration was malicious in many respects. Should Soviet zone representatives still wish to present document he opposed their reception since their object apparently was to exploit allied differences. US member regretted US press leakage on

⁶⁵ The German Ministers President met in conference in Munich on June 6, 1947, but the representatives of the Soviet zone withdrew soon after the conference opened. On June 9, the Ministers President assembled in Munich required the Allied Control Council to receive a delegation which would present the resolutions adopted by the conference. On June 20, the Ministers President of the Soviet zone asked the Allied Control Council for an opportunity to give their views on German economic and political unity. Telegram 1759, July 24, from Berlin, not printed, reporting on the 130th Meeting of the Allied Coordinating Committee, read in part as follows:

"In connection with suggested ACC audience of German Ministers-President CORC considered resolutions of Munich conference and inflammatory draft statement from Soviet zone Ministers President. British member [Brownjohn] declared Munich resolutions generally acceptable whereas Soviet zone statement consisted impertinent diatribe against western zones and credited western nations with intent of 'tearing up Germany.' While he was prepared for such remarks from his Soviet colleague, he would not accept them from Germans. US member [Keating] characterized statement as untrue and malicious criticism of western powers and said he was not prepared to receive officially now, or at any time, those responsible for it." (740.00119 Control (Germany)/7-2447)

previous discussion of question. There was no subject which US was unwilling to see discussed by Germans but discussion must consist of constructive proposals, not destructive criticism. Clay affirmed he was not prepared to receive the Soviet zone German officials who made statements in question as long as latter remained expression of their views.

Soviet member engaged in long casuistical argument to effect that Munich and Soviet zone delegations described German situation as they saw it, that ACC could not force them to do otherwise, that neither delegation described present conditions as due to allies, that ACC had not asked either delegation for specific answers and that initiative for audience came from Munich Conference, that ACC had declared readiness two months ago to receive delegations and could not now conveniently refuse because statements were now not acceptable, etc. He said Soviet delegation had no objection to receiving representatives from all *Laender*. French opposed acceptance of documents and since there was no further discussion it was agreed question should be dropped from agenda and that each delegation in its discretion would inform Ministers Presidents in its zone.

[Here follow reports on other items considered by the Allied Control Council at this meeting.]

MURPHY

740.00119 Control (Germany)/8-847: Telegram

*The Political Adviser for Germany (Murphy) to the
Secretary of State*

[Extract]

SECRET

BERLIN, August 8, 1947—11 p.m.

1906.

1. Meeting discussed General Clay's proposal for printing currency (mytel 1816, July 30⁶⁶). Soviet member said his position unchanged and would not accept General Clay's proposal. French and British

⁶⁶ Not printed; it reported on the proceedings of the 67th Meeting of the Allied Control Council, July 30, at which General Clay had proposed the following interim measure for the printing of a new German currency issue. The German State Printing Office would be removed from the United States sector of Berlin and be constituted as an enclave under the Allied Kommandatura. The Kommandatura would be instructed to proceed with the printing of a new currency issue without prejudice to the settlement of the question of whether currency would ultimately be printed in two places (740.00119 Control (Germany)/7-3047).

indicated they would accept any solution enabling printing under quadripartite control and gladly agreed General Clay's proposal.

British member made long statement on Soviet obstructionism: said failure to agree on currency printing was most humiliating of all disagreements as quadripartite organization. All agreed currency reform urgently needed and can't be carried out without new currency. No technical reason for producing currency elsewhere than Staatsdruckerei Berlin (this clearly established by quadripartite experts). Berlin is obvious place as capital, seat of quadripartite government and itself under quadripartite administration. Soviet insistence on printing also in Leipzig is unreasonable but we would even agree that if only under quadripartite control. Question has never been answered why Soviets insist on Leipzig. If they would give clear answer perhaps we could reach arrangement. Important factor is not where currency printed but what control is exercised over currency once printed. Allocation of currency to Four Powers must be by Four Power agreement. If misgivings as to size allotment is behind Soviet stand please say so frankly and perhaps their needs can be satisfied. British will not tolerate that matter to drag on in present ridiculous manner. That Control Council will make clear that those responsible for holding up matter are taking grave responsibility upon themselves.

United States member stated that if central German finance agency created he would agree to printing in Leipzig as well as Berlin but until then Berlin was only place acceptable to US.

Soviet member took exception British statement that this was "most humiliating of all disagreements"; said failure agreement on liquidation war potentials bordered not only on shame but on crime. Refused to re-state Soviet position on currency printing or answer British questions.

French member asked if US linked printing of new currency with creation of central German finance agency. US replied we favored latter but would not hold up new currency that account. Matter referred to Control Council.

MURPHY

740.00119 Control (Germany)/8-1247: Telegram

*The Political Adviser for Germany (Murphy) to the
Secretary of State*

SECRET

BERLIN, August 12, 1947—9 p.m.

1933. 1. Soviet member at 68th meeting Control Council, August 11th, outlined following position re Clay's proposal on currency

printing (paragraph 1, my telegram 1906, August 8th⁶⁷). Soviets had always maintained German financial reform is urgent. They did not feel that printing of currency should necessarily be tied up at this time with question of creation of issuing authority or central finance organization. They believed that in view of urgency of matter, ACC should not deny itself of large technical facilities existing in Leipzig in addition to Berlin printing plant. They would not object to currency printing under quadripartite control in any third or fourth place where there are facilities. Confining printing to Berlin would only increase difficulties. British member asked whether Soviet attitude on printing might be connected with occupation costs. Soviet member disclaimed any connection and reiterated reasons given above. As he saw it, length of occupation was related to progress in demilitarization and democratization of Germany and liquidation of war potential. Lack of progress in these fields would delay reduction in occupation and might even necessitate an increase in occupation force. French member expressed approval of any solution for printing under quadripartite control. Clay explained that his proposal was based on view that failing real quadripartite government of Germany, Berlin is quadripartite center where currency printing could best be carried out under necessary control; to show good faith he had suggested placing printing plant within an Allied enclave. British member pointed out he and French could accept either Soviet or United States position. At Clay's suggestion ACC decided: (1) to keep question on agenda in suspense pending reports to their governments by respective delegations and receipt of possible new instructions; (2) to instruct Finance Directorate to collect raw material and arrange for supply of currency paper in order to save time pending later decision regarding nature of printing plates and place of printing.

2. Long and confused discussion ensued on question of preparation of further reparations lists, in course of which ACC was forced to seek clarification from French member Economic Directorate present at table (paragraph 5 my telegram 1906, August 8th⁶⁸). Soviet and French position in effect was that (a) Economic Directorate should continue with liquidation and delivery as reparations of strictly war plants; (b) that Economic continue with the evaluation of other plants which may be delivered as reparations or be destroyed as war potential. Soviets maintained that work on reparations lists should not be stopped but should be gradually completed; corrections and even great changes might have to be made with respect to plants to be retained following ACC or CFM decision on new level of industry,

⁶⁷ *Supra.*

⁶⁸ The paragraph of the telegram under reference has not been printed.

but present uncertainty should not be allowed to obstruct liquidation war potential. French member asserted that knowledge of interruption of work on reparations plan would have bad psychological effect non-Germans. United States and British members insisted that preparation of lists additional to those relating to category one war plants, plants declared available as advance reparations or plants approved for evaluation would be waste of time since all delegations including Soviet had agreed that upward revision of industry level was necessary; it would be futile to evaluate plants that may not be allocated for reparations. ACC adopted following decision: (a) Economic will proceed with liquidation and delivery as reparations of strictly war plants and plants available for advance reparations; (b) Economic will complete evaluation of all plants placed on agreed lists for evaluation purposes; (c) ACC is unable to agree to compilation of additional lists for evaluation purposes at present time. Soviet and French delegations requested their position on latter point be recorded in minutes. (ACC incorrectly designated Economic for above functions which will be referred by Secretariat to RD and R Directorate).

Sent to Department as 1933; repeated to Paris as 339, London as 285, Moscow as 445.

MURPHY

USPOLAD Germany Files : 800C Other Politt. Parties

The Political Adviser for Germany (Murphy) to the Director of the Office of European Affairs (Hickerson)

TOP SECRET

BERLIN, August 19, 1947.

DEAR JACK : In considering our basic objectives in Germany against the background of the current world situation, the question arises whether we should revoke the authorization of the Communist Parties (KPD) to operate in the several *Laender* in the American Zone.

You will recall that paragraph 5 of the new State-War-Navy directive to OMGUS provides for: "Encouraging bona fide democratic efforts and prohibiting those activities which would jeopardize genuinely democratic developments". Again, paragraph 8a states: "You will adhere to the policy of authorizing and encouraging all political parties whose programs, activities and structure demonstrate their allegiance to democratic principles".⁶⁹

By now it seems clear that the German Communist Parties in the several *Laender* (KPD) and the Socialist Unity Party (SED) in the

⁶⁹ The quotations are from the Directive to Commander in Chief of United States Forces of Occupation Regarding the Military Government of Germany, J.C.S. 1779, July 11, 1947; for text, see *Germany 1947-1949*, pp. 34-41.

Soviet Zone are not instruments of democratic development and, like other national Communist parties, are in fact dedicated to the destruction of democracy. As far as written statutes are concerned, about all one can lay a finger on is the last paragraph of the section of the official "Principles and Aims of the SED" entitled "The Fight for Socialism":

"The present special situation in Germany which arose due to the collaboration of the reactionary despotism of the former State and the erection of a democratic state based on new economic principles, makes it possible to prevent the reactionary forces from stopping by means of despotism and civil war the final liberation of the working classes. The SED aims at following the democratic way leading to Socialism; however, it is prepared to use revolutionary means if the capitalist class forsakes the ground of democracy."

Needless to say, Communist leaders have been careful to avoid a detailed discussion of just what this means. However, a close study of their tactics and propaganda, and particularly the so-called "immediate aims" of the SED, makes clear that the phrase "if the capitalist class forsakes the ground of democracy" can only mean successful opposition by the non-Communist elements to the establishment of an "anti-Fascist parliamentary democratic republic", which in effect amounts to the "dictatorship of the proletariat". Since such a state has already been largely realized in the Soviet Zone, this threat to resort to civil war can refer only to the western occupation zones. It should also be observed that the Communist party in the American Zone has subscribed to this official program of the SED. Thus we find the same threat to overthrow existing governmental forms which authorities in the U.S. have considered as justification for debarring Communists from holding certain offices and enjoying other privileges there.

The question therefore arises as to whether we are justified in continuing to authorize the KPD in the U.S. Zone as a democratic political party. If it is not such a party, should we not forbid it?

I feel that General Clay's decision not to authorize the SED in our zone was absolutely correct, not only from a moral point of view but also from a tactical one. If we were now to prohibit the KPD as well, the Soviets might reply by suppressing the two remaining non-Communist parties existing in their zone. However, the latter (CDU and LDP) have very little real freedom at the present time; in fact, the Soviets probably find them useful only as stage scenery to give an impression of real political democracy. Hence, they might not prohibit them at all, and even if they did, this would make little practical difference to the control of that zone already exercised by the SED.

Even if, morally, we ought perhaps to forbid the KPD in our zone in view of its undemocratic nature and objectives, I doubt if this would be wise policy. It would tend to make martyrs of the Communists.

This might give a political movement, which at present is comparatively weak, considerably more support, particularly in a country where occupation powers, including our own, have become more and more unpopular in the last year or so. I also believe our Intelligence people would find it considerably more difficult to check on Communist activities and developments were the party prohibited.

One other aspect of this whole problem should also be mentioned. We might forbid the KPD in our zone and use this as a bargaining card to induce the Soviets to again license the SPD in their zone and permit it and the LDP and CDU to operate without persecution and on a basis of equal opportunity with the SED, i.e., in much the same way as a quadripartite bargain was struck in the spring of 1946 for the authorization of the SPD and SED in all four sectors of Berlin. Whether the Soviets would agree to such a bargain and whether it would in fact be worth while for the SPD to seek re-authorization in the Soviet Zone under present conditions—i.e., in the absence of quadripartite supervision of parties throughout Germany to ensure democratic practices—are of course important factors in evaluating the wisdom of such a step, and factors difficult to appraise.

I realize this is a difficult and complicated question. I should, however, be pleased to receive your views some time on it, after you have had an opportunity to discuss it with some of our friends and colleagues in the Department.

Sincerely yours,

ROBERT MURPHY

740.00119 Control (Germany)/8-1947: Telegram

*The Political Adviser for Germany (Murphy) to the
Secretary of State*

SECRET

BERLIN, August 19, 1947—8 p.m.

2000. With the approach of the CFM meetings⁷⁰ speculation again becomes rife concerning possible changes in Soviet policy respecting Germany and as usual there is considerable conflicting evidence. Reliable German sources and the tacit acknowledgement of a Soviet official indicate however there may have been a shift of influence within the Soviet military administration on the side of the Foreign Office.

OMGUS officials report that the Soviets have shown a new cooperative spirit in fields of communications and transport. Soviets have recently facilitated and participated in reopening of interzonal and international telecommunications circuits. They have also reversed

⁷⁰ The reference here is to the Fifth Session of the Council of Foreign Ministers, London, November 25–December 12, 1947; for documentation on this session, see pp. 676 ff.

themselves in agreeing in transport directorate to discussion by the German rail administration of direct allied train paths between Berlin and Hamburg and Bremen and additional line to point north of Helmstedt. OMGUS Finance Division officers likewise report Soviet readiness to compromise on the points of previous disagreement on calculation of occupation costs and on amendment of Control Council Law No. 12.⁷¹ In other fields of ACA activity however, little change has been noted in Soviet attitude which remains obstructive and dilatory.

Leading German official in Soviet zone central administration has just given me interesting analysis of personalities in Soviet military headquarters. He is a German who claims he talks frankly to both Soviet and US representatives in the interest of trying to prevent a split of Germany and significantly enough he gave his views in presence of Schumacher of SPD with whom he has formed a cordial relationship. According to this German official the Soviet military administration has always been more inclined than the doctrinaire Moscow party group toward western cooperation at least in the sense of trying to hold Germany together. He claims Zhukov was definitely of this inclination and that Sokolovsky has an open mind on German questions. Source also gave Soviet Foreign Office delegation here credit for reasonableness. Koval, former Stakhanovite leader and old Communist fighter who is now Soviet economics Chief charged with reparations, is more unyielding. Koval rejected German official's suggestion for preparing proposals for next CFM, saying latter could better employ his time working out Soviet zone economic plan for 1948 since allied divergencies in interpretation of Potsdam agreement were matter of record. Source connected Beria visits here with personnel questions recently openly discussed in well-informed US overt *Neue Zeitung* which wrote that Ivanov⁷² is now Moscow policy plenipotentiary in Berlin. Before proceeding to Moscow last week on consultation, Sokolovsky requested long interview with above mentioned German source who states he has repeatedly advised a Soviet policy in Germany which would make possible a compromise with the West.

At a recent social occasion at US official's house Ivanov delivered a bitter and unprovoked outburst against US calling American press public enemy No. 1 and asking why "US is making war on USSR." He accused US of forming separate German Government at Frankfurt and of building up Germany on new level of industry plan at the expense of legitimate reparations requirements of the USSR, intimat-

⁷¹ Amendment to Income Tax, Corporation Tax and Excess Profits Tax Law, February 11, 1946.

⁷² Reference here presumably to V. S. Ivanov, Political Adviser to the Soviet Military Administration for Germany.

ing that Clay's decision to suspend dismantling last year resulted from considerations deeper than lack of economic unity in Germany. Ivanov also expressed suspicion concerning series of separate conferences between US, British and French. He stated that "for first time the Russian people are beginning to hate the US." Appropriate temperate reply was made to Ivanov and in later private conversation he confessed himself "terribly worried about current developments" and said he wished he were out of Germany. At the same time he declared "I am the one man here now who can discuss such matters."

Conclusion may perhaps be drawn that within Soviet military administration there has been a group favoring compromise for the purpose of avoiding split of Germany or at least maintaining framework of quadripartite government for tactical purposes. Opposed to this may be the motivation that prompted rejection of the "Marshall Plan" and the belief that concessions in Germany are unnecessary on the theory that US aid cannot prevent economic deterioration rendering communization of Europe inevitable. Historically the German Communist Party has been the jewel in Moscow's crown and its position and needs are furthermore likely to receive closest attention.

Jacob Kaiser of CDU still hopes that Germany can be held together, as against the views of Roger, astute editor of US licensed *Tagespiegel*, who maintains the country is irretrievably divided. Kaiser nevertheless is haunted by the obsession that if the London CFM fails the allies will quit Berlin. Kaiser has stated privately that in latter event he will not emigrate to the west but will remain in Soviet zone as protagonist of democracy as long as he can. Kaiser may be influenced by his present loss of prestige in the west resulting from recent alliance between Josef Mueller and Adenauer. He has stated he has more in common with Schumacher than with Adenauer and it is not impossible he may engage in talks with former which may have a bearing on politics in bizonal area.

Sent Department as 2000, repeated London as 295, Paris as 354.

Department please relay to Moscow as our 456.

MURPHY

Editorial Note

At its 69th Meeting, August 30, 1947, the Allied Control Council discussed the new level of industry plan for the American and British zones of occupation. For a report on the meeting, see telegram 3006, September 1, from Berlin, page 1067.

740.00119 Control (Germany)/9-647: Telegram

The Political Adviser for Germany (Murphy) to the Secretary of State

TOP SECRET

BERLIN, September 6, 1947—4 p.m.

3043. *Tagesspiegel* and *Telegraf*, September 5, first reported mysterious disappearance Minister President Rudolf Paul of Thuringia and wife September 1, last seen motoring direction Berlin. Western licensed Berlin press September 6 continues reference this sensational news, reporting *inter alia* strict police control throughout Thuringia and along Soviet zone border, evidently connected efforts locate missing Paul. Thus far, Soviet licensed press has not mentioned case.

For Department's secret information only:

Following preliminary contacts with CIC agents some weeks ago, Paul and wife fled Berlin September 1, requesting reception American zone as political refugees. His defection from SED-SMA bandwagon is obviously most sensational such case to date, and intelligence agencies now questioning him in Heidelberg hope obtain much interesting information. His statements regarding election practices, political arrestees, reported existence concentration camps et cetera in Soviet zone may also prove valuable coming CFM. We have long regarded Paul as complete opportunist, until now willing to go far in SED service. He claims he decided to take this step only recently, when high Soviet official Thuringia told a German friend that Paul and his kind would be gotten rid of following London CFM, when "remaining bourgeois elements will be liquidated from leading positions Soviet zone".

MURPHY

740.00119 Control (Germany)/9-1647

*Memorandum by the Secretary of the Office of the Political Adviser for German Affairs (Morris)*⁷³

SECRET

[BERLIN, undated.]

In reviewing current Soviet policy in Germany, i.e., on the eve of the London CFM discussions, the following considerations appear pertinent.

Since the Moscow Conference, the general world situation has shown increasing tension between the USSR, her satellite states and

⁷³ The source text, which is undated, was transmitted to the Department as an enclosure to despatch 10913, September 16, 1947, from Berlin, not printed.

the Stalintern Communist movement, on the one hand, and the rest of the world on the other. Soviet-American negotiations as regards Austria, Korea and Japan do not suggest any moderation in the Soviet point of view—in fact, if anything, the contrary.

As regards Germany, the gulf between the Soviet and the western zones has, if anything, deepened since the Moscow CFM. In this connection, Soviet opposition to the Marshall Plan should be particularly noted. At the same time that the three western occupation powers are planning for the participation of their zones in the practical application of the Marshall Plan, it seems clear that the Soviet Zone will not be permitted to participate. Thus the economic split in Germany has increased very considerably.

These considerations suggest that the “hard” line taken by Molotov in Moscow will be pursued at London. As before, there is always the possibility of Soviet concessions in the economic sphere, in an attempt to gain material benefits from the western zones in the form of reparations. Most local observers are considerably more skeptical regarding such Soviet concessions than they were before the Moscow Conference.

At the same time, all available information indicates that the economic situation in the Soviet Zone is not only bad but that it will become even more serious during the coming winter. Reparations, removals, fuel, transport and raw material shortages should be mentioned in this connection, as well as the part played by the so-called Soviet AG's. As Dr. Skrzypczinsky* pointed out to Ambassador Murphy in a recent conversation, these Soviet combines not only account for some 30% of total industrial production in the Soviet Zone, but what is even more important, pretty well dominate the basic industries. Therefore, the fact that their production goes almost entirely abroad without benefit to the German economy is already having serious economic results on the Zone.

Soviet (and German Communist) propaganda is stressing the unity of Germany more strongly than ever.† Prospects for actual unification appear slimmer than ever, due to differences between the occupation powers. The question therefore arises as to why Soviet propaganda

* Head of the Ministry of Industry for the Soviet Zone and one of the key figures in its recently-organized Economic Commission. [Footnote in source text.]

† This is indicated not only by any review of the actual propaganda of the last few months, but by: Grotewohl's remarks at the latest meeting of the SED Central Committee (see my Memorandum No. 291 dated September 8 addressed to Raymond Murphy, State Department); the trip through the western zones which former Ambassador Nadolny is now making, under Soviet auspices, to collect signatures on a petition dealing with the demand for Germany's unification; as well as Marshal Sokolovsky's meeting with Kaiser and Lemmer on the eve of the CDU convention [September 4-8]. At this meeting, he strongly urged the CDU leaders to “fight harder than ever for the unity of Germany.” [Footnote, in the source text. The memorandum No. 291 cited here has not been printed.]

continues to emphasize this theme. The answer is probably as follows. The Soviets hope to keep German minds off other controversial and less pleasant subjects, such as reparation demands, the eastern frontier, etc. At the same time, this propadanda helps give the impression that the Soviets are actually working for German unity. They probably hope that if they shout louder on this issue than the western occupation powers, this impression will be increased, despite the record of facts to date, i.e., unification on a bizonal basis alone. As regards the latter, there is every indication that by now the Soviets are distinctly worried, for after all, actions speak louder than words, and particularly in view of the possibility that before long the French may agree to unification on a trizonal basis. Meanwhile, however, the Soviet unification trumpet is being loudly blown.

Another interesting and increasingly predominant factor is Soviet condemnation of the Marshall Plan. It is clear that the vast majority of Germans strongly favor the Marshall Plan for Germany, including even numerous Communists as well as former Social Democrats now active in the SED.‡ The Soviets therefore might do well by soft-pedaling this propaganda. Such, however, is not the case.§ Not only have they used every possible opportunity to themselves attack the Marshall Plan, but have evidently been making great efforts to induce prominent Germans to do likewise. This has been particularly noticeable in recent weeks as regards the CDU in the Soviet Zone. These Soviet efforts have, to my mind, been both ill-conceived and ineffective. They are, however, presumably typical of the rigidity which totalitarian regimes so often exhibit. In any case, the net result is a serious intensification of the present split in Germany.

As regards general propaganda, the Soviets have continued, at an increasing tempo, with bitter attacks on the policies and objectives of the western occupation powers, particularly "reactionary capitalist" America, under whose predatory influence the French and British have allegedly been coming more and more.

The present attitude of the Soviets towards the various German political parties can be summarized quite simply. The SED and KPD are still very much the favorite and trusted sons. In fact, the general world line of the Stalintern indicates increasing reliance everywhere on the experienced and trusted Communist elements. The Social Democrats are still "public enemy No. 1". The Soviets are evidently pretty well satisfied with the Liberal Democrats (LDP) in their zone under

‡ See for example my Memorandum No. 291. [Footnote in source text.]

§ This Mission's telegram No. 1797 dated July 28 summarized a declaration by the SED Central Committee opposing the Marshall Plan; numerous press telegrams from this Mission have likewise referred to general Soviet and Communist propaganda of the same character. [Footnote in source text. The telegram cited here is not printed.]

the weak Kuelz leadership. In contrast, the Kaiser leadership of the Christian Democrats (CDU) has been under considerable pressure. It may be presumed that Karlshorst may make an effort after the London Conference to eliminate this remaining irritant in the Soviet Zone. Finally, there are some indications that despite continued reliance on the SED, the Soviets are considering developing a less radical mass political movement on strong nationalist lines, perhaps under the leadership of von Paulus.¶ Such a party might be expected to weaken Kaiser's present support, and attract elements which the SED has failed to do.

In any appraisal of Soviet policy in Germany, mention should also be made of the apparent division within the Soviet camp between the moderates and radicals, both in Karlshorst and possibly in Moscow as well. In the last few months the radicals have certainly had their way. I presume they will continue to do so, despite rumors to the contrary.¶

Considered together, the above factors suggest that the Soviet delegation will not produce any great surprises at the London CFM, and give little reason to expect willingness to compromise on the part of the Soviets. If this analysis is correct, Germany will probably emerge from the London Conference even more seriously split than last spring, following the Moscow discussions.

If this is the case, the possibility remains that the Soviets may attempt to follow up the London Conference by some spectacular move, particularly in view of the deteriorating morale and internal situation in their occupation zone. The following possibilities should be noted. In the first place, a more formal zonal government might be set up,** which would of course have some psychological importance, and particularly so if the western occupation powers could be induced, by one means or another, to abandon Berlin. Furthermore, if part of the area now under Polish administration were "returned" to this "northeastern Germany", Soviet political prestige might rise greatly. It seems unlikely that the Soviets will in fact reverse their present stand on the Oder-Neisse line in the near future,†† but sooner or later they may do so, for obvious political reasons. Again, there is always the possibility of a reversal in the Soviet policy to date of economic exploitation of Germany. Finally, it should be realized that with the

¶ See this Mission's airgram A-479 dated September 4. [Footnote in source text. The airgram under reference is not printed.]

¶ See for example this Mission's telegram No. 2000 dated August 19. [Footnote in source text. For the text of telegram 2000 from Berlin, see p. 884.]

** See this Mission's airgram A-479, referred to above and airgram A-438 dated August 11. [Footnote in source text. Airgrams under reference here are not printed.]

†† See this Mission's airgram A-498 dated September 11. [Footnote in source text. The airgram under reference is not printed.]

repatriation of the remaining German war prisoners from the USSR in accordance with the Moscow Agreement, the Soviet position vis-à-vis the German people will be considerably improved. These are some of the possibilities by which they may try and win back ground they have lost politically in the last two years. It seems likely, on balance, that of the above, only a new Soviet zonal government need be reckoned with in the period immediately following London. As long as we maintain our position in Berlin, this would have no great psychological effect.

Finally, all available evidence strongly suggests that the Soviets are still reckoning, more than ever, with a severe economic depression in the western capitalist world, which, as far as Germany is concerned, will block our endeavors to restore the economy of the western zones. The latter remains one of the central problems, as far as our German policy is concerned. If it can be solved, our basic objectives can still be realized. If not, prospects for political democracy in Germany appear remote, and in the long run, German Communism may be the victor. The Soviets are presumably just as aware of this situation as we are.

BREWSTER H. MORRIS

USPOLAD Germany Files : 800C Other Polt. Parties

The Director of the Office of European Affairs (Hickerson) to the Political Adviser for Germany (Murphy) ⁸²

TOP SECRET

WASHINGTON, October 21, 1947.

DEAR BOB, Your letter of August 19th ⁸³ dealing with the desirability of revoking the authorization for the KPD to operate in the US zone raises a question which we have considered in the past, particularly at the time when we were working on the new SWNCC directive to OMGUS.

You will have noted that paragraph 8 (b) of the new directive contains the following sentence :

“ . . . Every authorized political party should have the right freely to state its views and to present its candidates to the electorate, and you will tolerate no curtailment of nor hindrance to the exercise of that right ; if, however, you find that an authorized party is adopting or advocating undemocratic practices or ideas, you may restrict or withdraw its rights and privileges.” ⁸⁴

⁸² All but the first paragraph of the source text was quoted in a letter of October 29, 1947, from Murphy to Gen. Clay, not printed.

⁸³ *Ante*, p. 882.

⁸⁴ The quotation is from the Directive to Commander in Chief of United States Forces of Occupation Regarding the Military Government of Germany, J.C.S. 1779, July 11, 1947 ; for text, see *Germany 1947-1949*, pp. 34-41.

In formulating the latter part of that sentence, we had expressly the question of the KPD in mind, and we sought to provide Military Government with a sufficiently flexible authority to deal with the problem of the KPD as it might develop.

We here are inclined to believe that the time has not yet come for prohibiting the KPD from operating in the US zone. We recognize that the situation may alter very quickly and believe, of course, that the matter requires continual surveillance and a continuing review of the decision. In particular, we will doubtless want to have another look at the question after the November CFM meeting.

From reports received here, we believe that it is preferable to let the KPD operate openly, that Communist activities can thereby be better watched, better controlled and better opposed. To prohibit the KPD would only drive Communist elements underground and make it more difficult for us to watch their operations. We have received several reports recently that the KPD in the Western zone is already organized to go underground on the expectation that the US authorities will ban the KPD. If the KPD does go underground, there is likely also to develop a more widespread penetration of the other political parties by the KPD elements. As long as the KPD is permitted to organize out in the open, it cannot afford to scatter its forces widely into the other political parties. There is also the danger that if the KPD is driven underground, there may develop either underground warfare between KPD and Nazi-minded elements or, what is even more likely, a nefarious cooperation which would be most detrimental to the successful development of democratic elements in Germany.

We are in complete agreement with General Clay's decision not to authorize the SED in our zone. We would only want to consider such authorization in the unlikely case that the Soviet authorities would permit the SPD to function freely in the Eastern zone. As long as the KPD remains operative in Western Germany and the opposition between the SPD and the KPD continues evident, we feel that the SED is bound to appear to the German people as the artificial creation it really is.

Although we do not believe that the KPD should be banned, we most certainly believe that its rights and privileges should be restricted wherever and whenever, in the judgment of Military Government, KPD actions exceed the bounds of propriety. If local KPD units were, for instance, to stage demonstrations that were in any way hostile to the occupying power, such units might well be dissolved either indefinitely or for a period of time in accordance with the nature of the offense. Care should be taken naturally that the Communists are not made to appear as martyrs in the eyes of the German

population, but whenever necessary we should rap them on the knuckles.

I do not think that we should ban the Communist party in our zone until such time as the Communists have made unequivocally manifest to the German people their own true anti-democratic character. It would not be wise in my opinion to have a prohibition against the KPD appear to the Germans as a small item in a larger Soviet-American conflict, rather than a proper result of local KPD conduct.

Although we would be hesitant now to approve prohibition of the KPD, we do not believe that there is any reason for Military Government to afford the same assistance to the KPD as to the other parties. To be sure, the new directive states in paragraph 8, b: "you will likewise give support to the principle that Military Government and the German authorities should afford non-discriminatory treatment to duly authorized political parties." In so far as non-discriminatory treatment under present circumstances may involve material assistance, say in the form of automobiles, gasoline, newsprint, office equipment, etc., I think that the non-Communist parties should be favored in material aid over the KPD. The principle of neutrality, however, should be carefully observed in our treatment of the genuinely democratic parties.

Sincerely yours,

JOHN HICKERSON

740.00119 Control (Germany)/10-3047: Telegram

*The Political Adviser for Germany (Murphy) to the
Secretary of State*

TOP SECRET

BERLIN, October 30, 1947—8 p.m.

3464. For the Secretary—Eyes Only. Referring to Clay's statement at press conference on October 28 of his intention to carry out a frank expression of American views on Communism to the German people, Clay has instructed Information Control Division to conduct and manage this program. That division will be assisted by an advisory board consisting of directors of Political Affairs, Civil Affairs, Intelligence and Manpower Division. Information Control and Advisory Board are now considering a preliminary report of which the following is a summary:

A. General policy.

Press and radio material will not include attacks on other governments and specifically the Soviet Government, nor will attacks be made on leading personalities of other governments. Attacks will be concentrated on Communism as a system of government and its lack of protection of the rights of the individual. The effect of Communism as

applied in Russia and other countries and in the Soviet zone of Germany may be included. Use will be made of military government and other American personnel.

B. *Overt operations.*

All overt media will be used including all five radio stations. Radio programs will include talks by American and selected German personnel. Such programs will also include plays with entertainment value and critical of the Soviet system. The overt publications will carry anti-Communist material and present the American viewpoint towards Communism. The circulation of *Die Neue Zeitung* will be substantially increased and the War Department has been requested to supply additional newsprint for the purpose. With respect to information centers, they will participate in the program only to the extent of disseminating positive information with respect to the American system of democracy and will not ordinarily be used as distribution centers for anti-Communist material.

C. *Licensed German press and magazines.*

No pressure will be placed upon such licensees and they will retain freedom to express their own political views under limitations set forth in ACA directive 40 and ICD regulation 3. However, licensees will be advised that they may henceforth deal with the subject of Communism as a system and with the attempt being made to apply it in Germany and in other parts of the world, and describe how it functions in the Soviet Union. Criticism of the Soviet Government or of other governments, including their leading personalities, will not be permitted.

D. *Interzonal flow of printed matter.*

OMGUS will continue to support the principles of ACA directive 55. At present there is a heavy flow of vituperative anti-American material into the American zone from the Soviet zone. While protest may be made to the Soviet military administration regarding contents no action will be taken at this time to ban or confiscate the material. However, if printed matter from American zone is confiscated or refused distribution in Soviet zone retaliatory action in the form of ban or confiscation may subsequently be taken. There is evidence that the KP in US zone is acting as distributor for various anti-American publications and this action, which is in violation of ICD regulations, will be terminated. Party publications and pamphlets issued by the KP in the US zone must abide by ACA directive 40 in the same manner as German publications and will be suspended if violations take place. *End summary.*

OMGUS divisions represented on the Advisory Board have been requested to designate personnel for continued activity on this project and to submit a list of subjects for which they will be primarily responsible. Political Affairs Division will suggest that its primary contribution will be to make certain that publicity efforts under this program are consistent with American foreign policy toward the USSR. It is foreseen that cases may readily arise where propaganda material

of value inside Germany may have unfortunate reactions in other countries and Political Affairs will attempt to influence the output in such manner as to avoid these difficulties. Furthermore, Political Affairs will supply background information respecting Soviet foreign policy and particularly on its support of Communist activity and policies.

To be effective in this advisory board and to avoid inconsistencies and contradictions which may affect general Departmental policy towards the Soviet Union, I believe that I shall have to assign one officer full time to this project. Furthermore, I very much hope that the flow of information telegrams respecting Soviet action in all parts of the world and important American policy developments touching in any way upon the Soviet Union can be promptly and continuously telegraphed to USPolAd. Otherwise I fear that publicity material may appear in Germany which might contravene established American policies towards other countries.

General Clay has not yet given his final approval to the program outlined above but has indicated his general acquiescence in this plan.⁸⁵ In this connection, please see an exchange of cables between Draper and Clay of October 29 and 30.⁸⁶ If Department has any serious objections to the plans as outlined to date I recommend that this matter be discussed at once at high level with Department of the Army without reference to this telegram as the project is moving ahead and taking form here.

MURPHY

740.00119 Control (Germany)/10-3047 : Telegram

*The Acting Secretary of State to the Political Adviser for Germany
(Murphy)*

TOP SECRET

WASHINGTON, November 1, 1947—1 p.m.

2200. Personal for Murphy. Dept is discussing subject your 3464, Oct 30,⁸⁷ with Army on basis info furnished by Army which corresponds generally your message. We propose agree in principle necessity stepped up propaganda in Germany subject to reservations concerned with necessity of overall coordination of policy. We have felt that German info policy has lagged behind our general program but are concerned that it may now go too far, especially with regard to timing

⁸⁵ Airgram A-633, November 19, 1947, from Berlin, not printed, reported that the campaign entitled "Democracy versus Communism" was launched in Berlin on November 13 over the United States Zone radio network. In accordance with Gen. Clay's instructions, the radio broadcasts were to be maintained "on high intellectual and philosophical plane without invective, invidious comparisons, or attacks on the Soviet Government, SMA, or Soviet officials." The radio broadcasts were to be followed up in the press by factual information in support of the more generalized statements (740.00119 Control (Germany)/11-1947).

⁸⁶ Neither printed.

⁸⁷ *Supra.*

and emphasis. We will indicate to Army necessity avoid any action which would support charge US disregarding principles expressed in UN propaganda resolution.⁸⁸

Dept's own policy this subject has been under active consideration for some time and plans are well advanced. An *ad hoc* committee of SANACC is proposing as a matter of urgency a high level board to coordinate activities of State and Defense in field of political propaganda. If adopted, as seems likely, this will of course have important bearing on proposed German program. Pending such development we will urge on Army necessity of immediate coordination, particularly with respect to Austrian broadcasts and Voice of America programs in German. We will also request arrangement during this period for prompt transmission to State of info policy directives affecting Germany and will furnish those now regularly being prepared by Dept.

LOVETT

740.00119 Control (Germany)/11-647 : Telegram

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

SECRET

Moscow, November 6, 1947—8 p.m.

3177. Personal attention Hickerson. 1. For benefit floorwalkers our opinion.

Berlin's 3329 October 13 to Department (repeated Moscow 529, Paris 461, London 356)⁸⁹ is clear analysis German aspect of problem which would be presented by Soviet proposal withdrawal of occupation troops from Germany. From Moscow, however, problem appears to transcend German aspect and indeed so many advantages to Soviet power position in Europe would result from such withdrawal that it might seem to Kremlin well worthwhile in spite questionable strength SED in Eastern Germany and initial embarrassment to Communist Party propaganda line certain other countries. Elsewhere in Central and Eastern Europe withdrawal of Soviet troops would have minimal

⁸⁸ On October 27, 1947, the First Committee of the United Nations General Assembly adopted a resolution on measures to be taken against propaganda and the inciters of a new war. The resolution was subsequently adopted by the General Assembly on November 8; for documentation on this resolution, see vol. I, *The deteriorating political climate in the General Assembly: the War-Mongering Resolution*.

⁸⁹ In early October 1947, a Paris newspaper had carried a report about a probably early Soviet proposal for the withdrawal of all occupation troops from Germany. Telegram 3329, October 13, from Berlin, not printed, stated that there was little information to confirm such a report and that the available evidence clearly suggested that German Communism, even in the Soviet Zone, was not yet sufficiently consolidated to risk the withdrawal of Red Army support. The telegram pointed out the very considerable strategic and psychological advantages which would accrue to the Soviet Union from any quadripartite withdrawal from Germany. (740.00119 Control (Germany)/10-1347)

effect considering advanced stage of Sovietization already achieved in most areas. Soviet zone Austria appears only probable exception, this principle, but an impoverished Austria languishing in Soviet controlled Danube basin could hardly become political factor of significance.

On other hand withdrawal from Germany of US and allied troops whose presence constitutes political, military and particularly psychological power factor bearing little relationship to their actual numbers and fire power would broach the Lubeck-Trieste line and thus open the gate to flow of Soviet influence into present power vacuum of Western Europe. Implications of such contingency are too obvious to require elaboration. Yet they must be pointed to if only clarify impossibility of US even considering such proposal until power factor now represented by allied troops replaced by native elements of stability. The propaganda problem this proposal would present to Soviet Union and its CP's in countries bordering Germany should not be exaggerated. Communists are not subject to sustained embarrassment and Germany's neighbors are presumably coming recognize exaggerated Communist emphasis on bogey of future German aggression as element general Soviet strategy in extending and consolidating its domination Central and Eastern Europe. At any rate CP supporters these areas could be reassured with assertion that Soviet Union had now acquired sufficient strength unilaterally to guarantee against rebirth German military imperialism.

On balance troop withdrawals would offer tremendous boost Soviet aspirations for domination Western Europe particularly if Kremlin, as it gives every indication of doing, really estimates "revolutionary situation" imminent in France and Italy.

2. The foregoing considerations in themselves explain why any show reluctance or hesitation on our part categorically to reject such proposal if made would, as Berlin telegram points out, indeed strike terror into hearts many Europeans and could not but have far-reaching political consequences. It would undo gains achieved by Marshall Plan and convince Europeans that reverting to traditional isolationism were after all going pull out and let Europe stew in its own juice as in 1922.

My considered opinion is that US tactic face of such Soviet initiative at CFM should be clear and unqualified refusal consider proposal as bona fide contribution to resolution German problem at this time. Our position should be based on fact that when we accepted unconditional surrender we also assumed obligations regarding Germany which have not been fulfilled. Thus our refusal can be accompanied by declaration our desire and recital our many efforts, mostly

thwarted by Soviets, to achieve peace treaty and gradual reintegration of democratic Germany into European political and economic picture, our conviction troops should be first withdrawn from Austria, our offer of 40-year treaty, et cetera, without an application of qualified acceptance. This refusal should be coupled with cross-examination of Soviet delegation, based on careful selection and analysis Soviet policy statements on Germany since and before Potsdam, designed to highlight striking inconsistency and transparency such new Soviet task. In order to counteract propaganda value to Soviets inside Germany we should reiterate our belief in need for substantial rectification of Polish-German frontier. We have little left to lose in Poland and cannot afford to run risks where Germany is concerned.

4. It is perhaps noteworthy that Kremlin in weeks before CFM and since Cominform conference⁹⁰ gives appearance of playing down Germany, possibly deliberately, since Soviet press and publications have shifted aggressive emphasis from that country to other areas principally France and Italy in accordance with Zhdanov line spelled out at conference.

5. If Kremlin is indeed planning advance proposal for troop withdrawals from Germany following precedent already established in Korea, in conviction that whether it be accepted or as is more probable rejected, Soviet Union would in either case draw concrete benefit, then possibility should not be excluded that Kremlin may contemplate a gesture in nature of Litvinoff's well-known disarmament proposal. Such proposal would not be limited Germany and Austria alone but would be expressly applicable as well such interesting areas as Greece, Indonesia, and in fact all territories with claim to independence on which there are stationed troops another nationality.

SMITH

740.00119 Control (Germany)/11-1147: Telegram

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

SECRET

BERLIN, November 11, 1947—2 p.m.

3550. Deptel 2240 November 6 and Rio's 1551 November 6 to Department.⁹¹

⁹⁰ At the end of September 1947, representatives from the Communist Parties in the Soviet Union, Bulgaria, Rumania, Yugoslavia, Poland, Czechoslovakia, Italy, and France held a conference in Poland at which the decision was reached to establish a Communist Information Bureau.

⁹¹ Neither telegram under reference is printed; they were concerned with the effect of the rupture of diplomatic relations between Brazil and the Soviet Union on the status of the Brazilian Military Mission in Germany (740.00119 Control

74th meeting Allied Control Council held November 10 failed agree status Brazilian military mission. British, French and US delegates presented practically identical views, stressing Brazil's participation in common war against Axis and fact that unanimous vote required both make and amend ACC decisions. US statement consisted paraphrase Department views stated Deptel 2240.

Despite unanimity western powers and their efforts indicate understanding Soviet dislike for future relations Brazilian military mission, Soviet representative remained adamant, claiming that fact that Soviets do not agree that Brazilian mission can be accredited Control Council means automatically it can no longer be. Soviet member indicated no desire force his views on other three zonal commanders in their relations with Brazilian mission as zonal commanders, i.e. as contrasted members Control Council.

Following considerable discussion which failed break deadlock, British member suggested only practical solution was for each member maintain his separate views. Council finally decided consider next item agenda, thus without either reaching any agreement or even a decision regarding question.

General Clay in receipt communication from Brazilian mission requesting US Government handle Brazilian interests Soviet zone. Mission will be informed we cannot comply since US member Control Council.

Sent Department as 3550; repeated London for Murphy⁹² as 403, Moscow as 561, Paris as 502. Department please relay Rio.

RIDDLEBERGER

(Germany)/10-3147 and 740.00119 Control (Germany)/11-647). Telegram 3476, October 31, from Berlin, not printed, reported that at the 73rd Meeting of the Allied Control Council on October 30, the Soviet representative had read a prepared statement attacking "reactionary and anti-democratic action of Brazilian and Chilean Governments" in breaking diplomatic relations with the Soviet Union "under pressure of internal Fascist groups and external influences". Marshal Sokolovsky maintained that the Soviet Military Authority would henceforth not recognize that the Brazilian Military Mission was accredited to the Allied Control Council and would not maintain any relations with it (740.00119 Control (Germany)/10-3147). Telegram 2240, November 6, to Berlin, instructed General Clay to state that it was the opinion of the United States that the status of the accreditation of the Brazilian Military Mission was in no way affected by the severance of diplomatic relations by the Brazilian Government with the Soviet Union and that the accreditation of the Brazilian Mission could not be terminated by the unilateral action of one Council member. The United States intended to continue to recognize the Brazilian Military Mission as an accredited representative to the Control Council (740,00119 Control (Germany)/10-3147).

⁹² Murphy was in London for the meetings of the Deputies for Germany in advance of the 5th Session of the Council of Foreign Ministers.

740.00119 Control (Germany)/11-2247 : Telegram

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

SECRET

BERLIN, November 22, 1947—2 p.m.

3611. Seventy-fifth Control Council meeting 21st November continued discussion of industrial police in US sector Berlin (3551, November 11⁹³). US member in attempt to meet desires of other members indicated willingness to place industrial police under ACA Public Safety Committee and subsequently to dissolve force and use Berlin auxiliary police if latter can be made to meet US needs. Pointed out only alternative would be to bring in additional US troops which he wished to avoid.

In concluding statement US member raised question how police force under control of occupying power can be regarded as more dangerous than one under German control. Soviet member opposed placing police under ACA as clearly matter for Kommandatura. US member agreed and after brief discussion meeting decided to return question to Kommandatura for determination in light of Control Council dissension.

Under other business French member announced introduction French franc in Saar as measure to alleviate difficulties arising from establishment of customs union between Saar and France in December 1946 and introduction special Saar mark in June 1947.⁹⁴ US-UK members noted statement and reserved comment. Soviet member charged this was another unilateral separatist action by French whereby ACC was presented with another *fait accompli* on Saar. Stated Soviet position on Saar was defined at Moscow CFM and reserved further comment.

Soviet member then launched into 25-page diatribe unparalleled in Control Council both for time consumed and violence of charges. His tirade synthesized propaganda which has been pouring out of Moscow and Soviet-licensed German press and radio during past months on development in western zones. All the well-worn charges that quadripartite agreements on demilitarization, denazification, and democratization were being undermined and destroyed "behind the backs of the Control Council" were paraded.

He accused western powers of retaining military units and installations in their zones for purpose of "conversion to military base for

⁹³ Not printed; it reported that at the 74th Meeting of the Allied Control Council on November 10, there was a discussion of the Berlin industrial police which was organized and controlled by American authorities to protect certain installations for which the regular Berlin city police were unable to give adequate security (740.00119 Control (Germany)/11-1147).

⁹⁴ For additional documentation regarding the special economic measures carried out by French occupation authorities in the Saar, see pp. 1073 ff.

Anglo-American imperialism in Central Europe". Developments in Soviet zone were correspondingly whitewashed and eulogized. At conclusion British member made clear that courtesy alone required him to listen to such an issue of ludicrous, untruthful statements which had been refuted time and time again. US member proposed that statement in toto be included in press communiqué so public reply can be made before London CFM, since obviously can not be answered in Control Council before that date. Agreed to release statement. Text follows by airmail.⁹⁵

Meeting agreed Control Council would not meet during CFM unless deemed necessary by Coordinating Committee.

Sent Department as 3611, repeated London for Murphy as 416; pouch to Moscow, Paris.

RIDDLEBERGER

862.00/12-647 : Telegram

*The Acting Political Adviser for Germany (Chase) to the
Secretary of State*

SECRET

BERLIN, December 6, 1947—5 p.m.

3679. While no more successful than that reported mytel 3646 November 29,⁹⁶ in attracting non-Communist organizations, SED Peoples Congress, opening 6th, has apparently received support from appreciable number non-Communist individuals in western Germany, mostly people of no prominence.

FDGB directing committees, Soviet zone and Berlin, have elected delegates. Trade union executives of bizonia have refused. CDU Soviet zone executive December 2 decided not to participate but left door open for individual members, especially those having "other functions", to participate. CDU declared Congress will have no real all-German or non-partisan character. Some Soviet zone CDU officials have announced acceptance, probably under pressure. LDP Soviet zone executive accepted December 1 with proviso that one-sided political exploitation of action be avoided and that LDP be given

⁹⁵ For Gen. Clay's account of Marshal Sokolovsky's statement and his reaction thereto, see Clay, *Decision in Germany*, p. 161.

Telegram 3700, December 11, from Berlin, not printed, reported that the 145th Meeting of the Coordinating Committee, December 8-9, consumed almost twelve hours and consisted to a great extent of the Soviet member's reiteration, with some new details, of Marshal Sokolovsky's charges at this Control Council meeting (740.00119 Control (Germany)/12-1147).

⁹⁶ Not printed; it reported that the Communist leadership of the Socialist Unity Party had invited democratic political parties, trade unions, peasant organizations, and others to join in a "German Peoples Congress" to be held in Berlin on December 6 and 7 for the purpose of electing a delegation to go to the Council of Foreign Ministers meeting in London. The telegram further reported that the principal non-Communist German parties were having nothing to do with the Congress which was unlikely to represent more than a fragment of the German populace (862.00/11-2947).

representation in planning committee. Berlin university student council voted to refuse participation.

At secret SED planning meeting December 4 Pieck declared telegrams from western zones showed that attendance will be surprisingly large and heterogeneous. Reliable source in position to know confirms this though apparently western delegates will be "little people".

Statement by Pieck and other private SED utterances furnish clue to motives Congress. SED never expected organized non-Communist support, therefore intended show that SED only true defender German interests and that non-Communist leaders are anti-national. Congress in attempt to split masses from non-Communist leadership, reminiscent of pre-Hitler "united front from below". SED propaganda for Congress is massive, concentrating on German unity, and has provoked considerable counter-propaganda in non-Communist press, thereby keeping issue before public. Slogan of German unity and national representation has been SED mainstay repeated over and over again since party's birth April 1946 and is hard to answer. Further motive is probably to regain support by SED membership, which has recently fallen away markedly. At SED executive meeting, Berlin, November 15-16, representatives from Soviet zone and western zones (Dahlem, Pieck, Koenen, Karsten, Gundelach, Sperling) reported trend and emphasized something must be done. How much popular support People's Congress can mobilize impossible state yet.

Pieck stated December 4 secret meeting that presidium of 60 will be elected at Congress and will, in turn, elect permanent executive presidium of 10. Latter will probably be made up of one representative each of SED, CDU, LDP, SPD (possibly), FDGB, PDJ, Kulturbund, Frauenbund, Consumer Cooperatives, and one other front organization. Plan published December 6 *Tagesspiegel*.

Pieck further stated favorable reaction from west led to scheduling trips there about December 12: Ulbricht and Ebert to Bremen; Gniffke, Dahlem, Merker, Kaethe Kern to Frankfurt, Mannheim, Stuttgart, Nuremberg. Munich for press conference. Dept and CFM delegation may wish to comment on desirability permitting these trips.⁹⁷

Repeated London for Murphy 437 copies by pouch to Bremen, Frankfurt, Stuttgart, Munich.

CHASE

⁹⁷ Telegram 2440, December 9, to Berlin, not printed, replied as follows:

"View here is that trips mentioned in last paragraph urtel 3679 Dec 6 are undesirable during CFM and should be stalled since their main purpose presumably is to seek further Western German support for SED Peoples Congress in order to create appearance that Peoples Congress is 'representative' of all Germany." (862.00/12-647).

740.00119 Control (Germany)/12-1447: Telegram

*The Acting Political Adviser for Germany (Chase) to the Embassy
in the United Kingdom*

SECRET

BERLIN, [December 12, 1947].

3721. For Ambassador Murphy. Eleven hour meeting CDU executive December 11 attended by Capt Kratin, Lt Col Nazarov, did not pass vote against Kaiser. (Remytels 443 December 10 repeated Dept 3698⁹⁸ and 448 December 11 repeated Dept 3712⁹⁹ and urtel 524 December 11.¹

Before beginning meeting Kratin ordered no British or Americans allowed attend and shortly thereafter ejected Capt Browner, British CCG. Kaiser began meeting recounting Soviet attempts force CDU into Peoples Congress and remove him including Kratin's non-confidence declaration. Nuschke then asked Kaiser to resign. Lemmer spoke in Kaiser's defence as did Professor Hickman, Saxony *Land* Chairman, declaring SMA pressure on Soviet zone leaders beyond human endurance and paralyzing CDU. Herwegen, Saxony-Anhalt Chairman, spoke against Kaiser, followed by Wolf, Brandenburg [*Chairman*], and Thuringian Chairman who spoke for him. During intermission Soviet officers spoke with several members of whom some then asked Kaiser to resign. But no non-confidence resolution presented. Resolution by Nuschke to approve Peoples Congress not discussed, nor request that Steidle committee be heard. Conclusion was *Land* chairmen including Scheiber, Berlin, plus Kaiser and Lemmer would ask for meeting with SMA. Lobedanz, Mecklenburg chairman, absent owing sickness. Friedensburg, Berlin, came half hour before end and took no part. Reported CDU Managing Secretary Saxony as well as many other functionaries had had nervous breakdowns owing daily long "interviews" with Soviet officials. Managing Secretary of another *Land* removed by SMA account his opposition Peoples Con-

⁹⁸ Not printed; it reported that the long-standing Soviet distrust of CDU Chairman, Jakob Kaiser, had culminated in a practically open attempt to force his resignation in view of his failure to participate in the SED People's Congress. According to trustworthy information, on December 6, Captain Kratin, the Soviet liaison officer to the CDU, visited Kaiser and said that all important members of the CDU in the Soviet zone of occupation were at the People's Congress, thereby proving that Kaiser was no longer viewed as the party leader. Kratin told Kaiser that he no longer enjoyed the confidence of the Soviet Military Administration. Subsequently, Soviet authorities brought pressure to bear on CDU members at the People's Congress to remove Kaiser as Chairman. On December 9, Kratin again visited Kaiser and asked him to resign, but Kaiser refused to resign except by order of the Soviet Military Administration or as a result of a non-confidence vote of the CDU convention. Kaiser had called a meeting of the CDU executive for December 11 (862.00/12-1047).

⁹⁹ Not printed; it reported that the entire Western licensed Berlin press had reported Kratin's demand for Kaiser's resignation (862.00/12-1147).

¹ Not found in Department files.

gress. Above believed factual and correctly reported western licensed Berlin press December 12.

In discussion with officer this mission December 12 Kaiser added following: never in history Soviet zone CDU has SMA pressure against its officials been so great as in last ten days. Only *land* chairman unmoved by Soviet tactics is old Professor Hickman. All others will break if these methods continue. No clear evidence Tulpanov really got Moscow order remove Kaiser but if pressure cannot be eased Kaiser and Lemmer will go to save others. Kaiser, however, pointed out to Soviets during December 11 meeting if they force him out they may thereby break up London Conference. This visibly moved Kratin.

In conversation with Lord Pakenham December 10 regarding this matter Kaiser asked whether Peoples Congress delegation would be received in London. Pakenham refused answer immediately but December 11 sent following written personal answer: "I can express only my personal opinion; from British standpoint there is absolutely no prospect that proposal of delegation elected by unrepresentative congress would find our support." (End first-hand Kaiser report).

Probably nothing more will happen Kaiser and Lemmer until they and *land* chairman interview SMA couple days hence. Questionable Soviets would proceed oust Kaiser by direct action unless possibility political unity zones extinguished.

Sent London for Murphy as 451, repeated Dept as 3721.

CHASE

740.00119 Control (Germany)/12-2347: Telegram

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

SECRET

LONDON, December 23, 1947—6 p.m.

6607. Embassy's 6572, December 20, 2 p.m.² Kirkpatrick has already taken over Harvey's duties Foreign Office. I called on him today and found him preoccupied with German questions.

Kirkpatrick said that three questions were engaging his particular attention: reparations, Four Power administration in Berlin, and the establishment of a central government. The first two seemed to him to be somewhat related.

He thought some reparations, however limited, should be paid the Russians. A carrot in that form might keep the Russians at least for a time from creating intolerable conditions for the British, Americans and French in Berlin.

The position of the British, Americans and French in Berlin, he thought, should be very carefully reviewed. If there was any doubt

² Not printed.

that their position could not be maintained, then he felt an announcement should be made placing the blame on the Russians and a dignified withdrawal made. An intolerable situation would be created if after making it known that there was no intention of withdrawing, conditions developed that compelled withdrawal.

It was essential in his view that a central government be established, preferably at Frankfurt, promptly. It should be called a "provisional government" and this should be widely publicized even though the Russians were bound to call it a definitive government for the western zones.

Sent Department 6607; repeated Berlin 537; Moscow 367.

GALLMAN

740.00119 Control (Germany)/12-2447: Telegram

*The Political Adviser for Germany (Murphy) to the
Secretary of State*

SECRET

BERLIN, December 24, 1947—4 p.m.

3786. Personal for Gallman. There seems to be surprising discrepancy between the viewpoint attributed to Kirkpatrick³ and our understanding of Mr. Bevin's views, particularly Kirkpatrick's opinion that central government should be established promptly, presumably at Frankfurt.

On subject of payment of reparations to the Soviet Union, we, of course, do not agree with Kirkpatrick's view that the Russians should be appeased in order to obtain respect for the Four-Power agreement which authorizes the powers to occupy sectors in the greater Berlin area.

Sent Department 3786, to Moscow as 598, for London as 464.

MURPHY

740.00119 Control (Germany)/12-2647

*Memorandum by the Acting Chief of the Division of Central European Affairs (Lightner) to the Deputy Director of the Office of European Affairs (Reber) and the Assistant Secretary of State for Occupied Areas (Saltzman)*⁴

SECRET

[WASHINGTON,] December 26, 1947.

The Problem:

To maintain the position of the Western Allies at Berlin in the face of possible Soviet endeavors to effect the withdrawal of Western Allied forces.

³ See telegram 6607, December 23, from London, *supra*.

⁴ The source text is endorsed "agree" by Reber and is initialed by Saltzman.

Discussion:

The *Washington Post*, December 21, carried the report that the Soviet Military authorities in Germany had announced their refusal to recognize Jacob Kaiser and Ernst Lemmer as the leaders of the CDU in the Soviet Zone.⁵ The ostensible reason was the unwillingness of Kaiser to bring his party into the German Peoples Congress organized by the SED in order to try to represent Germany at the London CFM. The newspaper article stated that Colonel Tulpanov of the SMA had acted against Kaiser on the basis of explicit orders given him by Molotov while passing through Berlin en route to Moscow after the breakup of the CFM at London.

The Soviet action against Kaiser at this time appears an important indication of their future policy in Germany. Kaiser has been under threat of removal for a long time on account of his independence. On the other hand, he has always maintained good personal relations with the Russians and he was useful to the Russians since his presence on the political scene in the Soviet Zone fostered the illusion that there was some freedom of political activity in Eastern Germany.

When the SMA was trying to drive the CDU into the "Peoples Congress," endeavors were made to induce the German functionaries in the CDU to replace Kaiser. Although several of the party leaders attempted to carry out the Russian desire, Kaiser retained sufficient support in the Executive Committee of the CDU to render these efforts unsuccessful.

The deposition of Kaiser at this time by ukase indicates that the Soviets are no longer concerned to maintain the pretense of free political activity in Eastern Germany and that the development in the Soviet Zone of Germany of a one-party or bloc totalitarian regime will be pushed along a course similar to that in the Eastern European satellites. A Communist-organized totalitarian regime in Eastern Germany cannot reach maximum effectiveness without Berlin as its capital.

Accordingly, I think that the Soviet decision on Kaiser indicates that we have to expect a determined Soviet effort to get the Western Allies out of Berlin. It is significant too that since the breakdown of the London Conference the Soviet-controlled press in Berlin has

⁵ Telegram 3790, December 29, from Berlin, not printed, reported that on December 20 the Soviet Military Administration issued an order recognizing the five Soviet Zone *Land* Chairmen of the Christian Democratic Union as the interim party executive with whom the Soviet authorities would henceforth deal (740.00119 Control (Germany)/12-2947).

been developing a propaganda line which puts in question the need for four-power occupation of Berlin.

The Russians might possibly seek to accomplish the withdrawal of the Western Allies from Berlin in the following ways:

(1) The Soviet representative on the Allied Control Council could announce that in view of the breakdown of the CFM at London, quadripartite administration of Germany was no longer practicable, that accordingly the Allied Control Council should, if not be dissolved, discontinue its operation, that the quadripartite administration of the City of Berlin should be abandoned, and that the Western Allies should accordingly withdraw the bulk of their personnel from Berlin.

(2) Without making an open request for Allied withdrawal, the Russians might boycott the ACA and Kommandatura at Berlin in order to induce the Western Allies to withdraw from Berlin on their own steam.

(3) While continuing overtly to participate in the Allied Control Authority, the Russians might render more difficult communications, transport and supply relations between Berlin and the West, with the aim of squeezing us out.

It is manifestly in our political interest to stay at Berlin. Withdrawal of US power from Berlin would entail a great loss to US prestige in Central Europe. Moreover, exclusive Soviet control of Berlin would increase chances of Soviet success in their aim to bring Germany under their domination.

Recommendation:

Preparation should be undertaken for coordinated counter-measures in case developments take the course indicated above. Likewise we should investigate what actions on our part might make it more difficult for the Russians to undertake a Berlin offensive.

It is proposed that the Germany-Austria Secretariat in the first instance consider the Berlin situation. In view of the many ramifications of the problem, it is suggested that CIA and Department of the Army representatives be brought without delay into joint working level discussions and that Army representation from Plans and Operations Division and Supply organizations as well as from the Civil Affairs Division be sought. After preliminary consideration here contact with OMGUS should be established and the groundwork laid for continuing coordination between Washington and OMGUS on this issue.

At an early stage it would be desirable also to coordinate plans and measures with the British and French.

740.00119 Control (Germany)/12-3047: Telegram

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

SECRET

Moscow, December 30, 1947—6 p.m.

3467. I share Murphy's concern (Berlin's 3786 to Department, December 24, repeated London 464, Moscow 598⁶) at Kirkpatrick's views German question as recently expounded to Gallman. (London's 6607 to Department December 23, repeated Berlin 537, Moscow 367⁷) To think in terms of appeasing the Russians in order maintain our position in Berlin seems to me to ignore what experience in dealing with Soviet Government should have taught us. No doubt Russians will undertake noisy campaign to scare us out of Berlin and endeavor create as unpleasant material conditions as possible to encourage such withdrawal. There are in fact indications that such a campaign has already been launched (Berlin's 3762, December 19, to Department⁸). Yet for us to yield to such blackmail would be most dangerous, although they may at times seem to be skating on pretty thin ice. I feel sure that Kremlin has no intention of pushing matters to breaking point on any European front at least until further consolidation and organization of satellite economies and military establishments has been achieved. If I am wrong, then the sooner the issue is joined the better.

On the other hand, precipitant establishment of a western German government followed by a separate peace with the West might indeed impel Kremlin take greater risks since such actions would be viewed from here as a positively aggressive move although the fundamentally imperialistic character of Soviet foreign policy is far clearer now than it was at Potsdam. I still believe we should continue base our attitude on firm insistence on our rights, together with an open door to any Soviet cooperative gesture no matter how remote a contingency the latter may seem to be.

Department pass Berlin as Moscow's 618, London as 392.

SMITH

⁶ *Ante*, p. 905.

⁷ *Ante*, p. 904.

⁸ Not printed.

B. ECONOMIC COOPERATION, CONTROL, AND REHABILITATION IN THE AMERICAN, BRITISH AND FRENCH ZONES OF OCCUPATION IN GERMANY

1. Measures to Improve Economic Cooperation and Coordination in the United States-United Kingdom Bizonal Area; Reorganization of Bizonal Economic Agencies; the American-British Coal Talks in Washington, August-September; Measures for the Control and Management of the German Coal Industry; The Revision of the Bizonal Agreement of December 1946

740.00119 Control (Germany)/4-2747: Telegram

The Political Adviser for Germany (Murphy) to the Director of the Office of European Affairs (Matthews)

TOP SECRET

BERLIN, April 27, 1947—3 p.m.

URGENT

1006. For Matthews. For delivery first thing Monday⁹ morning. There is repeated below for your info tel CC-8933 from Clay to General Noce regarding current negotiations with British on subject of economic controls under bi-zonal agreement.

As you know Mr Bevin is due in Berlin Monday and I believe Robertson will report to him on arrival present lack of success in agreeing on economic controls. You will note Clay's stated opinion that question should be considered on Govt level.

I have discussed at length with General Clay and he has agreed to the repetition of message below because Dept may shortly be informed of British reaction directly. Bevin will undoubtedly discuss matters with Clay Monday and Clay will restate his position and inform Bevin that he has requested instructions from his govt.¹⁰

You are aware of the importance of this question. It involves (1) the issue whether US is prepared contrary to existing policy to approve in western Germany a system of rigid central economic controls and planning with a similar system of central control of food distribution, (2) whether we are also prepared to go along with British in support of German Social Democrats' design for socialization of German enterprise which apparently has support of British Labor Party and Cabinet and (3) whether British plans do not contemplate a far greater expenditure of US appropriated funds than we shall be able even if willing to contribute.

I hope that you, Hilldring, Thorp, Chip¹¹ and Ben¹² can give urgent thought to this question before briefing the Secretary who has stated his active interest in the success of the bi-zonal operation. I

⁹ April 28.

¹⁰ Foreign Secretary Bevin passed through Berlin on his way to London following the conclusion of the Fourth Session of the Council of Foreign Ministers in Moscow, March 10-April 24. There is no indication in American records that Bevin met with Clay at that time.

¹¹ Charles E. Bohlen.

¹² Benjamin V. Cohen.

would like him to know that I am assured that Clay is every bit as eager to achieve that success. At the same time fundamental issues are involved which do require as basic policy matter top level study and decision.

Text of Clay's message to Noce follows:^{12a}

"CinCEur Personal from Clay
AgWar for WDSCA Personal for Noce
TOP SECRET

This should be read in connection with my CC-8871.¹³ The British while in Moscow, raised the question of economic controls under the bi-zonal agreement. The operations at Minden¹⁴ have, on the whole, been a failure as the main effort has been directed to planning the over-all economy of the two zones rather than concentrated on the export program. (From CinCEur signed Clay) The German Chairman has also conducted an aggressive campaign to obtain a high degree of central authority and control. As a result, contracts let to date have resulted from initiative in the several *Länder* and not from initiative at Minden. The British answer to the Minden problem is to develop a fully planned economy for both zones, under the rigid control of the bi-zonal German agency. Our sincere belief is that economic responsibilities (particularly for export programs) must be decentralized with the present responsibilities of the Minden agency largely concentrated on the allocation of scarce materials. It has neither the personnel nor the competence for the exercise of detailed central control.

The British program calls for a detailed regimentation of the German economy, which in my opinion would prove to be completely unacceptable to the American public. Moreover, it would require months if not years to develop the organization adequate to exercise such controls. Our own concept calls for the minimum control of selected scarce materials which would give private enterprise and initiative an opportunity to participate in rehabilitation.

It is interesting to note that shortly after the bi-zonal economic agency was formed, the SPD Party, through very astute political maneuvering, succeeded in ousting Doctor Muller (a non-political figure) and replacing him with Doctor Agartz who has announced frequently that his principal mission is socialization. Our intelligence reports have indicated that Schumacher and Agartz received British support in making their political maneuver successful, and that Schumacher head of SPD in British zone was promised that Agartz would receive a much greater authority than he has actually been given.

Robertson visited me today, insisting that he must have an agreement before Mister Bevin reached Berlin from Moscow on Monday. This was in spite of a previous agreement which established working parties to study the several related problems. These working parties

^{12a} Message sent as CC-8933.

¹³ Not printed.

¹⁴ Many of the bi-partite boards established under the December 1946 American-British agreement for bizonal economic fusion were located in Minden in the British Zone of Occupation.

have not yet had time to report. Draper and I went as far as possible to meet Robertson's views; however, we could not agree to accept in principle the establishment of a rigid centrally controlled German economy in the absence of German political responsibility. Such control is inconsistent with our desires for decentralization and if established would destroy the political gains which have been made in our own zone. It looks like a direct effort to introduce Socialistic controls which would pave the way to the complete socialization of the bi-zonal area. Robertson stated that in the absence of such an agreement he could proceed no further in discussion without governmental authority. I assume that this means that the entire question must be placed on a governmental level, although I suppose this may depend somewhat on Gen. Robertson's report to Mister Bevin on Monday.

This is a regrettable and unexpected development, as prior to his trip to Moscow Robertson and I had always been able to work out agreements here. He is obviously, however, under strict instructions and great pressure from his govt to obtain agreement for a centrally controlled economy before proceeding into the ways and means of immediately improving the export program.

The Secretary of State had advised me on his trip through Berlin¹⁵ of his own desire for the bi-zonal arrangement to be successful and expressed the hope that Robertson and I would be able to reach agreement. Please advise him that in full sincerity, I have tried hard to do so but have found thus far that the agreement could be effected here only by complete acceptance of the British terms. I am sure that these terms are not consistent with our political objectives in Germany and even more sure that they would not be acceptable to the American business men and bankers on whom we must depend in the final analysis for the success, not only of our export program, but for subsequent financing to enlarge the export program. I regret that the problem has to pass to governmental level but see no other recourse.

A copy of this radio is being sent direct to State Dept.¹⁷

MURPHY

USPOLAD Germany Files : ¹⁶ Telegram

The United States Military Governor for Germany (Clay) to the Chief of the Civil Affairs Division, War Department (Noce)

TOP SECRET
PRIORITY

[BERLIN, April 29, 1947.]

CC-8959. This is an important message. In reading it please refer to our previous radios numbered CC-8871¹⁷ and CC-8933.¹⁸

¹⁵ Secretary of State Marshall conferred with Gen. Clay in Berlin on April 25. No official record of that meeting has been found, but for a brief description, see Clay, *Decision in Germany*, p. 174.

¹⁶ Top Secret Files of the Office of the United States Political Adviser for Germany, Lot F-80, 1947, File - T.S. 801.1.

¹⁷ Not printed.

¹⁸ The text of the message under reference is included in telegram 1006, April 27, from Berlin, *supra*.

Robertson returned to my office for further conference this morning, having had the opportunity to discuss our previous conference¹⁹ with Mr. Bevin. He was much more moderate and no longer demanded an immediate decision with respect to our acceptance of a highly centralized controlled German economy. He was also prepared to resume all agreed studies and perhaps to accept our proposals for immediate short-cuts in present Minden procedures which should have an early stimulating effect on our lagging export program.

Robertson again brought up the question of Bizonal Political Fusion. He stated that Mr. Bevin was reluctant to consider a full Political Fusion pending the November conference. However, he proposed as his own view without committing his Government the establishment of a Bizonal German Economic Council, the members of which would be elected by the several *landtags*. The council would select an executive director who would have approximately the status and authority in the 2 zones of a Reichsminister for economics. The Bizonal Council thus would become a political body which, however, would be limited in its sphere of activity to economic matters only. To render it less susceptible to Soviet criticism he proposes to emphasize its part in developing the revised reparations plan and in effecting deliveries.

This raises the question as to the advisability of half-way measures. Full political fusion of the 2 zones would eliminate many of our present difficulties without destroying the political gains, and particularly the strong feeling of States' rights which have developed in encouraging fashion in the American Zone. A half-way measure will not resolve the political differences existing in Germany and will not satisfy the German people. It will develop as much Soviet propaganda and opposition as an all-out political fusion. In my own view, if we are going to take a half-way measure, we might better proceed to full political fusion of the 2 zones. I believe the latter is now desirable and justified. However, in the interests of a better economic integration, I would be prepared to compromise in accepting a half-way measure except for the inherent risk to our national policy.

The British proposal (wisely conceived in their political interest) would create an economic council for both zones which, based on equal State representation, would have a substantial SPD (Social Democratic Party) majority. At present, the SPD is headed by Dr. Schumacher, who works in close collaboration with the British Labor Party and consequently could be expected to dictate the majority views in this council. Dr. Schumacher has already expressed himself

¹⁹ The Clay-Robertson conference referred to here is described in message CC-8933, cited in previous footnote.

as in favor of the immediate socialization of Germany, the nationalization of industry, a highly centralized controlled economy, and in fact a strong Central Government. His views are, of course, diametrically opposed to our policies of Decentralization and Federalization. This SPD majority might not in fact, represent majority German opinion, as the strong conservative German vote represented by the CDU (Christian Democratic) and LDP (Liberal Democratic) parties is concentrated in heavily populated States of Bavaria and North Rhine Westphalia. Under equal State representation these 2 parties would have a much lesser voice in Bizonal affairs than entitled to by their size.

In discussing this proposal, we shall try to work out a more proportionate representation which still provides for State representation although this will be difficult to accomplish in view of the larger number of small States predominately SPD. If the council materializes on the basis of the British proposal, we must be prepared for a vigorous German effort in the council to obtain a high degree of centralization which will be directed to the development of a socialistic Bizonal Area. American Military Government will then be placed in the position of accepting such measures or of being in constant opposition to the German majority supported by British Military Government. This would place us in a difficult position which might receive sufficient opposition in America to endanger our appropriation as the adoption of socialistic controls by the council proceeds. Of course our policy does not call for opposition to socialization although we have assumed that we should not promote such measures and should evidence our continuing faith in free enterprise. Thus, we have insisted that socialistic measures cannot be adopted except by vote of the German people and then only on a *land* basis until German Government is reestablished under electoral procedures. We believe that we [should?] try informally to limit socialistic controls to as few basic industries as possible while maintaining the broad principle of free enterprise. In our view, in the long run this will represent the desire of the German people. In their present extremity, State control of the economy looks attractive, even though it was such control that made Hitler's rise to power and subsequent ability to wage war, successful.

There can be no question but that the long range issue involved in this entire matter in the establishment of State controls of economy, which will lead to a planned economy as advocated by socialists everywhere and with a substantial degree of State ownership. There will be little field in such an economy for private initiative and free enterprise. I believe that we can work the matter out here with rea-

sonable compromises, provided that is the desire of our Government. However, each issue may well be taken to Government level unless it is clear that our Government desires the issue to be worked out in Germany. Certainly, Robertson and, most probably Mr. Bevin, are under strong pressure from the British Government to get these matters agreed now when the condition of the German economy makes the proposal seem more reasonable, so that there will be an established pattern by the time economic conditions are improved.

With every desire to make economic fusion work, we must compromise. However, if we can not secure reasonable compromises, we must realize that if we accept the British proposal, the results are almost certain to be a strongly socialized German Government with much more central power than we desire. Such a control as contemplated by the British given to the Bizonal Council would almost certainly be opposed by the French and might even make tri-partite agreement impossible. What we would like is assurance from our Government that its desire to make economic fusion work does not make it willing to accept a highly centralized economic control, which will be utilized in the hands of the SPD with the support of British Military Government, to extend the socialist influence. With such assurance, we should be able to insist on compromise solutions here which will, at least protect in some degree our policy of decentralization, and also a reasonable degree of free enterprise and initiative.

[CLAY]

USPOLAD Germany Files : Telegram

The Chief of the Civil Affairs Division, War Department (Noce) to the United States Military Governor for Germany (Clay)

TOP SECRET

WASHINGTON, May 1, 1947—11:10 p.m.

PRIORITY

W-97271. Personal from Noce. Reurad Apr CC-8871,²⁰ Apr CC-8733 [8933?],²¹ Apr CC-8959,²² Dec CC-72 and Dec CC-7404.^{22a}

1. Fully appreciate problem you face by virtue of British tactics in going around you and raising Bizonal and Socialization issues on governmental level.

2. Tentative State Dept views re Socialization, not yet finalized, are as fols:

²⁰ Not printed.

²¹ See footnote 18, p. 911.

²² *Supra.*

^{22a} The December 1946 messages under reference here are not further identified.

(a) Public ownership action must be based upon full and free expression of popular will either by referendum, by legislative action based upon constitutional auth, or clearly expressed political party platform or the like;

(b) No discrimination against foreign interests and adequate compensation must be provided therefore;

(c) Public ownership at levels lower than national levels, except for national services such as posts, railroads, etc., consistent with Mil Govt policies such as denazification, deconcentration, internal restitution, etc.;

(d) Full accountability on part of owning agencies with duty to report publicly on mgmt, financial position, employment policies, etc.

3. As you well appreciate, US Govt must make economic fusion work. It is my judgement, however, that this govt stands firmly behind our policy on politically decentralized German Govt, and economic controls decentralized to maximum extent consistent with policy envisaged in JCS-1067²³ and Potsdam for establishment of central economic agencies in fields requiring such control. It is believed that if details are entrusted to you, and if you are left free to attempt to work out issues in Germany, reporting back here your conclusions and recommendations for governmental apl, a reasonable compromise in best interest of this govt is possible.

4. Hilldring and Petersen are in sympathy with my views and it is hoped that within a reasonable time, you will be given firm instructions in accordance with above.

[NOCE]

862.51/5-247

The United States Military Governor for Germany (Clay) to the Secretary of State

[BERLIN,] 2 May 1947.

MY DEAR MR. SECRETARY: You will recall that when you passed through Berlin²⁴ we touched briefly on some of the financial difficulties standing in the way of our putting Germany on a self-sustaining basis. You asked me to attempt to summarize our problems for you.

Germany lost through reparations all her foreign balances and other external assets and her gold reserves. Fortunately the "disease and unrest" appropriations of the US and UK Governments provide food to maintain an above starvation diet in the combined US/UK Zones. These appropriations are not available, however, and in any

²³ 1945 Policy Directive to the Commander in Chief of United States Forces of Occupation in Germany; for text, see *Germany 1947-1949*, pp. 21-33.

²⁴ On April 25, 1947.

case would not be adequate for other purposes. Yet Germany must have money to bring in raw materials so that the available power, the highly skilled labor, and the remaining industries can begin to produce for export and can begin to build up a profitable foreign trade, without which Germany can never become self-sustaining. Money for this purpose can come only from foreign loans or grants or from the little capital we can build up by initial exports literally squeezed from a bankrupt economy by the use of her meager stocks of remaining raw materials.

Germany can not present a sound credit risk to prospective lenders until she has demonstrated her ability to export. Credit has thus far of necessity been restricted to self-liquidating inventory advances, such as the \$7.5 million advance for this purpose being made available by our R.F.C.

From past exports the combined US/UK Zones have produced a capital of approximately \$100 million. This is a small capital fund with which to rebuild the economy of approximately one-half of Germany with a population of 40 millions. The fund is so small, indeed, that we must guard it most carefully lest it be lost or depleted and we be left without resources with which to procure our essential raw materials or to call upon in any emergency. This means that we can see these funds spent only when the expenditure will definitely stimulate an equal or greater amount of income from German exports. This is why we must spend this money niggardly and must insure that every export of goods and services from Germany be fully and promptly accounted for.

We face the great difficulty, however, that our Allies, who have suffered at the hands of Germany, are extremely reluctant to deal with Germany in any way that brings a net profit to Germany. It is difficult not to be sympathetic to this attitude, but we must realize that any transaction which brings a loss ostensibly to the US/UK Zones of Germany today does, in fact, bring that loss to the US/UK Governments instead and jeopardizes the success of our efforts to balance the economy. We here must take the unpopular position that at Potsdam and subsequently at the Paris Reparations Conference firm determinations were made of the ability of Germany to provide reparations to Allied nations.²⁵ She is not able to finance a continuing hidden reparations program in the form of concessions in international trade forced upon her by the Allied nations through the Occupying Powers.

²⁵ For the Report on the Tripartite Conference of Berlin, August 2, 1945, see *Foreign Relations*, The Conference of Berlin (The Potsdam Conference), 1945, vol. II, p. 1499. For documentation on the Paris Reparations Conference, December 1945, see *Foreign Relations*, 1945, vol. III, pp. 1275 ff. For additional documentation regarding the policy of the United States on reparations in 1947, see pp. 1104 ff.

I cite the following instances :

a. The Netherlands and Belgian Governments are urging that Germany utilize the Ports of Rotterdam and Antwerp as her outlet to the sea and that Germany pay foreign exchange for this use, despite the fact that Bremen and Hamburg have adequate port facilities available without foreign exchange costs.

b. Czechoslovakia is insisting that she not be required to pay Germany for the use of the German railroads and port facilities. Despite the earlier agreements on reparations demands against Germany, it is now contended that Czechoslovakia should have the free use of German railroads, or in any event the use of German railroads at special reduced rates, as reparations.

c. UNRRA relief supplies to Czechoslovakia have transited Germany and freight charges have accrued to well over a million dollars, but UNRRA requires that these charges be offset against UNRRA's much lesser charges for aid in the administration of the DP program in the U.S. Zone.

d. The Combined Zones today are trying desperately to increase the output of coal and to speed up industrial production in general in aid of an export program, handicapped by the use of the very young and the very old in manpower. Nevertheless, France, while demanding an increased allocation of available coal, is insisting on retaining young prisoners of war in France and upon recruiting for voluntary work in France those who might otherwise be returned to Germany. France is insisting, moreover, that when these workers are retained in France they should be permitted to send their earnings to their dependents in Germany instead of spending their money in France. It is understandable why France needs and feels entitled to this manpower. But France would not buy from Germany the Reichsmarks to pay these dependents; she would instead take French Francs from the workers and send to the dependents old German Reichsmarks left in France by the retreating German army. In other words, France would have the fruits of the labor, but Germany would pay a major part of the labor costs. This cost would be borne in substantial part by US/UK as long as we are subsidizing the German economy.

There is such a tremendous demand in Germany today for all the things she might otherwise sell abroad and there is such a competition between the domestic and the export market that only by the greatest urging and by a minute decentralization of ultimate responsibility can an export program be stimulated. The stimulation which we must offer is a continuing supply of food and a continuing supply of the raw materials required for further production after the existing raw materials move out of Germany in the form of finished goods. Monetary stimulations within Germany are of no help, for the goods the extra money would buy, no matter how soundly based or tightly controlled the money might be, are simply not available. No new German currency which we might introduce would serve as a full stimulation unless there were either goods immediately available for

which that money could be spent or unless there were a sound political structure to inspire a confidence in the holder of the money that his government will make sure he will one day be able to buy at an agreed value the things he needs now, but which are not now available. No government can inspire that confidence until basic questions of the future economic and political structure of Germany have been resolved; until it is known what final reparations Germany must pay, what limits on production will be imposed, and with what debts and tax burdens she may be ladened.

I have tried to point out that Germany is bankrupt and that she cannot re-establish herself on a self-sustaining basis until her debts are once and for all reckoned and fixed in amount and she herself permitted to enter into trade relationships with other countries unhampered by the curse of her past political mistakes. I say this not out of sympathy for Germany and the German people but because of the necessity to reduce the present burden on the U.S. and U.K. economies. We have to recognize that it is not Germany who is paying the penalty today, but rather the taxpayers of the United States and Great Britain and that we can unburden ourselves of this expense only by returning Germany to a satisfactory trading position or by abandoning her to chaos.

Respectfully,

LUCIUS D. CLAY
General, U.S. Army

740.00119 Control (Germany)/5-1047 : Telegram

*The Political Adviser for Germany (Murphy) to the
Secretary of State*

SECRET

BERLIN, May 10, 1947—8 p.m.

1123. Personal for the Secretary. Sir Sholto Douglas, British Commander-in-Chief, and Lord Pakenham, in charge of German affairs, British Foreign Office, called on General Clay and myself today. This was Pakenham's initial courtesy call. There was a frank and useful discussion of bizonal affairs. In reply to Pakenham's inquiry regarding points of disagreement and whether progress could be made in Berlin toward their reconciliation, Clay reviewed developments prior to and through Moscow period assuring visitors of our continuing desire for success on bizonal undertaking. Clay pointed out that as early as 1945 when difficulties with USSR were beginning, he had suggested to British representatives possibility of bizonal arrangement and in 1946 he had participated enthusiastically in negotiations which led to present setup.

Pakenham indicated feeling in London that there had been refusal by Clay to continue negotiations Berlin. Clay stated there had been [no?] refusal and while he has been available during past two weeks no effort made by British to contact him. Working parties including Draper and Weir have not yet come up with their reports which may be available tomorrow, and there will be a meeting of bipartite board ²⁷ next Monday.²⁸

We suggested that part of difficulty possibly arose from scattering negotiations between Moscow, Washington and Berlin. We believe this method has been initiated by British in an effort to obtain better terms and greater concessions from US. Pakenham stated that there had been no intention to by-pass Berlin.

In substance it was (1) agreed that the grave food situation in the bizonal area results not from the operational difficulties of the bizonal agencies but from a serious deficit of bread grains, fats and potatoes which can only be met by importation; (2) stated that general problem is divisible into short and long-term phases and there should be no great difficulty finding compromise solution of short term phase; (3) suggested by us that on issue of highly centralized industrial and economic planning if British position is maintained we would require instructions from our Government because we believe British theory would encounter vigorous criticism of US businessmen and possibly Government; (4) stated that we had made considerable concessions on financial side already but apparently more are expected of us; (5) stated that we had no anxiety regarding question of socialization of industry for moment because we understood British view that German people should decide themselves this question to which Douglas and Pakenham assented.

Interview friendly. In reply to Pakenham's question whether we considered future of negotiation now on governmental level, we replied that British initiative seemed to have placed it there.

Later today I had further conversation with Pakenham who informed me that today's discussion had improved his understanding of relative positions and relieved him of an inaccurate estimate of Clay's attitude. Due to his recent assumption present responsibilities, he confessed ignorance of a number of practical bizonal operational features and asserted confidence that difficulties can be ironed out in Berlin. In reply to my inquiry regarding his view of socialization of

²⁷ In 1946 it was agreed that the then Deputy Military Governors for the United States and United Kingdom Zones of Occupation in Germany would constitute a Bipartite Board whose purpose it would be to ensure common economic measures in the two zones; see despatch 7343, October 11, 1946, from Berlin, *Foreign Relations*, 1946, vol. v, p. 613.

²⁸ May 12.

industry, Pakenham said that he did not wish to mislead us. It is true that British policy favors letting the Germans determine over the longer term the degree of socialization desired but this is so because British are convinced that the Germans "possibly a majority of them" advocate an important degree of public ownership. He thought, however, that some clarification should come from Governments. When he returns to London Tuesday he will lay entire matter before Bevin. He is uncertain whether under circumstances latter will wish proceed through Washington or return issues to Berlin.

As result discussion I am convinced British not unyielding on questions of centralized controls but that they will keep trying for better financial arrangements. They, I believe, are likewise convinced of our sincere intention to make as great a success of bizonal operation as present shattered economic conditions permit.

MURPHY

740.00119 Control (Germany)/5-1347: Telegram

*The Political Adviser for Germany (Murphy) to the
Secretary of State*

TOP SECRET

BERLIN, May 13, 1947—8 p.m.

1141. Personal for the Secretary. Eyes Only. My 1123 May 10.²⁹ US/UK Bipartite Board met Berlin Monday May 12 and General Clay is reporting to WD that tentative agreements reached which may resolve past differences.³⁰

It was agreed in the field of expenditures to a controlled budgetary expenditure which would limit expenditures for the general economy to receipts from export proceeds and with a portion of the export proceeds to be added from time to time to capital account. In order to meet the British view, it was agreed that not to exceed 30 per cent of capital funds could be utilized at any given time for the purpose of financing obligations for imports for the general economy secured by anticipated export proceeds for deliveries already made but with payment still not collected. There will be retained in cash at all times 40 per cent of all capital account and the remaining 30 per cent may be retained in the inventory of approved export programs. The foregoing constitutes a definite concession to the British view and seemed to meet with their satisfaction.

It was also agreed to consolidate all bizonal agencies at Frankfurt as rapidly as facilities can be provided. As you know, these agencies

²⁹ *Supra.*

³⁰ General Clay's report, the substance of which is set forth in this telegram, was sent to the War Department in telegram CC-9129, May 12, 1947, not printed (USPolAd Germany Files, Lot F-80, 1947. File - 711 Bipartite Control).

are now scattered at Stuttgart, Frankfurt, Minden, and Bielefeld. This will involve moving approximately 8,000 Germans and their dependents to Frankfurt plus about 1,000 allied personnel. Office space and communications not too difficult but housing and household equipment extremely difficult and months will be required to make necessary provision. Robertson inquired in this connection whether Army Headquarters would remain Frankfurt making references to difficulties growing out of such relationship at Rome in 1944. Clay informed him that due to costly communications installations Army Headquarters European Command would of necessity continue at Frankfurt.

The enactment of legislation was also agreed which would provide present German bizonal agencies with authority to issue formal decisions on matters of general policy which need to be placed in effect promptly in the several *laender* by *land* implementing regulations. Thus in the economics field we agreed to give the German bizonal agency such general authority in the fields of production, allocation and distribution to include rationing of such items as may be subject to ration controls. It was also agreed to give this bizonal agency authority to control by executive order a selected small group of scarce commodities and raw materials. Under the agreed procedure it would be possible for the bizonal agency to determine how much coal each *land* would receive for domestic heating, for example, permitting the *land* itself to determine how this coal would be divided among schools, hospitals, homes, etc.

It will be clear that the foregoing represents as high a degree of centralization as was developed in the US during the war although it does not meet the higher degree of centralization apparently desired by the British. However, in accepting this compromise we reserved our position regarding the allocation of powers between central and state governments whenever a central government may be established.

On the subject of the British proposal for a German bizonal economic council the British came some distance to meet our objections to their original proposal for a council whose powers would be limited to advice. We had proposed that in addition to the economic council there should be established a single executive committee for all bizonal agencies. Each of these agencies now operates under a separate executive committee. The general executive committee we now propose would consist of one representative from each *land* to be designated by the *land* government. It would have the power to nominate the secretaries of state for confirmation by the economic council and it would have authority to issue such executive orders necessary to implement legislation in the economic field. The executive committee would be authorized also to receive from the secretaries of state and pass to

the economic council its recommendations for legislation which would be issued by military government for both zones. The terms of this legislation would be prepared by the economic council for eventual approval by the US/UK Bipartite Board. The economic council itself would be composed of representatives from each of the *landtag*. The number of each *land* would be in proportion to its population and the composition within this number would be representative proportionately of the political parties in accordance with the last previous election returns. At the beginning the economic council and the executive committee would be accorded the powers agreed for the several executive committees now set up. The proposed executive committee would be in continuous session while the economic council would meet from time to time as necessary.

The British proposed yesterday that we agree that we would be prepared to accept any further centralization desired by the German economic council but General Clay stated that he could not so agree as in his opinion we had already gone very far in centralization and that any further relaxation would appear inconsistent with our policy enunciated on several occasions by our government for the decentralization of German government. General Clay declared that the United States might oppose proposals for further centralization even though such proposals were endorsed by a majority of the German economic council and suggested that the question need not be decided now but might better be deferred until an issue arises. This seemed to appeal to the British but they stated that they were unable to agree without consultation with their government.

Both General Clay and I feel that we have come a long way in an effort to meet British views both with respect to utilization of funds and centralization of authority. In conversation with Strang and Robertson I gathered that they are pleased with the results of yesterday's meeting, Strang repeating several times that it was a "very good meeting indeed". Both Strang and Robertson have now left for London where they plan to discuss Tuesday the several proposals mentioned in this telegram with Mr. Bevin and Lord Pakenham.

General Clay has pointed out to the War Department that the centralization of authority proposed can have no immediate results and that it is necessary to resort to temporary decentralization to the *laender* of import-export program in order to accelerate the letting of contracts. The British have agreed to this subject to our reaching an overall agreement.

I am hopeful that with the advantages gained as a result of yesterday's meeting, the British may go along on the proposal for an economic council without insisting that we accept further recommenda-

tions by that council for additional centralization of powers. This, of course, may depend upon whatever formal or informal commitments might have been made by the British to the German Social Democrats. There would seem to be no great urgency certainly from our point of view to press for a decision on this point now. General Clay is proposing to the War Department that this question could not be resolved in Berlin. As matters now stand, the Social Democrats would have a majority in the economic council and probably have the support of other leftist elements. Due to the close working relation of the British with the Social Democrats it should thus be able to influence materially the deliberations of the economic council. The test, of course, of the relative strength of political parties will come later. As matters now stand the Social Democrats are not in a majority taking the population of both zones as a whole.

The foregoing is for your personal information.

MURPHY

862.50/5-2947 : Telegram

*The Political Adviser for Germany (Murphy) to the
Secretary of State*

CONFIDENTIAL

BERLIN, May 29, 1947—noon.

URGENT NIACT

1284. Personal for the Secretary. Generals Clay and Robertson approved this morning an agreement for the reorganization of bizonal economic agencies. A press release is being issued at noon today in Berlin and it is also understood that Mr. Bevin will make a statement shortly after noon at Margate announcing the agreement and giving a brief outline of it. Berlin announcement will state that agreement has been reached for the establishment of an Economic Council, composed of representatives of the several *Laender* in the UK and US zones of occupation in Germany, selected by the *land* Parliaments, to propose for the approval of military govt general policies for the permissible economic reconstruction of both zones as an integrated economic area, and the necessary ordinances in accordance with the principles adopted in the Potsdam protocol.

The present bizonal economic agencies will henceforth exercise their functions under executive directors in accordance with the policies of the Economic Council. In addition to the Economic Council an executive committee will be formed, composed of representatives from each of the several *Laender* which will have the day to day responsibility for coordinating and supervising the work of the several bizonal economic agencies in accordance with the policies of the Economic Coun-

cil. All proposals of the Economic Council will be subject to the approval of the UK and US Military Governors and/or their deputies.

In accordance with the principles of decentralization in administration, maximum use will be made of *land* govts in implementing the policies and orders of the bizonal economic administrations.

Both UK and US Military Govts hope that the other occupying powers will accept their standing invitation to participate in this economic integration.

The agreement and the proclamation to place it in effect are now being translated into the German language and will be made public within the next several days.

Complete text of agreement will follow.³¹

MURPHY

[On June 13, 1947, Secretary of War Patterson addressed a letter to the Secretary of State on the urgent problems of famine in Germany and the possible British program for the socialization of the coal mines in the Ruhr. For the text of the letter, see page 1151.]

840.6362/6-1747 : Telegram

*The Political Adviser for Germany (Murphy) to the
Secretary of State*

TOP SECRET

BERLIN, June 17, 1947—10 a.m.

1452. Personal for the Secretary. Eyes only. Howard Petersen has sent a personal telegram to General Clay to the effect that the State Dept is considering inviting British Govt to join it in putting forward an energetic program of action designed to expedite the restoration of coal production in Europe.³² Replying to Petersen's inquiry, Clay points out that while any practical action to institute an energetic program aimed at expediting increased coal production in Europe would be welcome, the basic problem in the Ruhr Aachen fields derives from the uncertainty as to the future status of these fields. He emphasizes the absence of incentive to mine management. In Germany

³¹ For the text of the agreement, see *Documents on International Affairs, 1947-1948*, pp. 617-621, and Ruhn von Oppen, *Documents on Germany*, pp. 227-231.

³² The proposal for a broad American-British program to increase coal production in Western Europe was set forth in Department of State Policy Planning Staff paper PPS/2, June 2, 1947. Under Secretary of State Acheson sent a copy of the paper to Ambassador Douglas on June 11 for comment. At about the same time, the War Department was asked to transmit a cable to General Clay asking him for his views on the possibility of implementing the German part of such a program.

we have long urged the British to place increasing responsibility on the Germans for coal production but as yet with no practical results. Labor has been persuaded that socialization is the solution. Clay recommended that the mines should be placed immediately under a German trusteeship with public announcement that it would continue until a central German government had been established and German people could freely determine under more normal conditions the future of mine ownership. Under that plan mine management would be made responsible under the trusteeship and should be given bonuses for increased production. He realizes that this would be difficult to accomplish as it runs contrarily to British Govt program at home.

On the subject of capital loan to coal industry secured by exports to be used for mine rehabilitation and mine machinery, Clay's opinion is that this would retard coal production as it would be an unpopular move in Germany since it would pledge the most important German asset for a single purpose. Also additional machinery is not considered necessary until production has increased over present figures by at least 50,000 [tons?] per day. If such an increase occurs machinery could be provided in Germany. In other words capital is not the immediate problem in coal production.

In Clay's opinion main problem in Germany is threefold: (1) removing present uncertainty regarding ownership and placing direct management responsibility in German hands under joint US/UK military govt general supervision; (2) better publicity program designed to make management and miner conscious of their joint responsibility; (3) general improvement in economic level of entire Ruhr area.

I would like to add that one feature of our policy has not been entirely clear to us here in connection with the operation of the bizonal area, namely, socialization of industry. General Noce, who is now here, tells me that the War Dept has, since last January, endeavored to obtain a written statement of policy from the Dept on this subject without success. Ambassador Douglas, who is also here and who will, he tells me, telegraph you directly on this subject, believes from what he learns from Mister Bevin and others that the British Labor Party will project its policy of extensive socialization of industry in Germany and will not be willing to defer such a development until a German central government has been created and the German people have opportunity under more normal conditions of indicating their wishes. The trusteeship solution appears to us here as an admirable compromise which would at least in part relieve the uncertainty now exercising a most depressing influence on production.

740.00119 Control (Germany)/6-1847: Telegram

*The Political Adviser for Germany (Murphy) to the
Secretary of State*

SECRET

BERLIN, June 18, 1947—5 p.m.

1473. With reference to previously communicated joint memorandum from US-British delegations notifying Allied Control Authority of bizonal economic reorganization, Soviet member³³ at 125th Coordinating Committee meeting June 17 delivered sharply worded attack in prepared statement reading substantially as follows in faulty translation. Bizonal reorganization creates great concern for fate of political and economic unity of Germany. Agreement does not envisage implementation of Potsdam Decisions for liquidation of war industrial potential, reparations, elimination of Fascism, etc. Agreement leads to political and economic split of Germany. At Moscow CFM Molotov suggested termination of US-British bizonal arrangements. Soviet attitude therefore well known. Reserving right to return to question at a later date, Soviet delegation must state that the latest bizonal arrangements are aimed at further accentuating the split of Germany and not only represent a departure from Potsdam Decisions but contradict the agreed decisions of Moscow CFM. It is quite clear that the reorganization of economic agencies involves the creation of a special governmental system for western Germany. Measures taken by US-British authorities cannot but create difficulties for further work of deputies as well as of next CFM.

British member³⁴ rejected Soviet statement as baseless and pointed out new bizonal agreement is purely economic and makes no mention of political fusion. As regards the present economic state of Germany, it remained open to the Soviets to heal this split at any time.

US member³⁵ reserved right to study official text of Soviet declaration since some of the statements contained in translation bordered on impertinence. He stated Potsdam Agreement emphasized economic unity and that Soviet delegation should read that text and adhere to it.

French chairman³⁶ concluded discussion by stating he had studied the structure of the newly created bizonal economic organization and that he was of opinion they [*sic*] in no way prejudice the future.

Sent to Department as 1473; repeated to London as 222, Paris as 252. Department please relay to Moscow as 366.

MURPHY

³³ Lt. Gen. Dratvin.

³⁴ Maj. Gen. Brownjohn.

³⁵ Maj. Gen. Keating.

³⁶ Maj. Gen. Noiret.

811.002/1-247

Minutes of a Meeting of the Secretaries of State, War and Navy

[Extracts]

SECRET

[WASHINGTON,] June 19, 1947—10:30 a.m.

PRESENT

State

Secretary Marshall
 General Hilldring
 Mr. Riddleberger
 Mr. McWilliams
 Mr. Moseley (SWNCC), Secretary

War

Secretary Patterson
 Assistant Secretary
 Petersen

Navy

Secretary Forrestal
 Under Secretary Sullivan
 Admiral Denfield
 Rear Admiral Wooldridge

III. SOCIALIZATION OF GERMAN COAL MINES

Decision:

It was agreed:

1. That strong representations should be made to the British Government to the effect that it must cease or defer any experiments in socialization of the German coal mines.
2. Representatives of the War and Navy Departments should revise paragraph 21(c) of SWNCC 327/3³⁷ regarding public ownership of enterprises in Germany.

Implementing Action:

1. Secretary of State to arrange for making representations to the British Government referred to above.
2. Assistant Secretary Hilldring and Assistant Secretary Petersen to undertake a revision of paragraph 21(c) of SWNCC 327/3.

Discussion:

SECRETARY PATTERSON again referred to his letter of June 13, 1947,³⁸ to Secretary Marshall in which he stated that the British program for

³⁷ Draft Directive to the Commander in Chief of United States Forces of Occupation Regarding the Military Government in Germany, not printed. The completed directive, designated J.C.S. 1779, was released to the press on July 15, 1947; for the text, see *Germany 1947-1949*, pp. 34-41.

³⁸ *Post*, p. 1151.

socialization of the Ruhr coal mines is certain to interfere with the maximum production of coal at this critical time, and that we must put pressure on the British to stop or postpone these experiments. He said that the decision on socialization should be put up to the German people at a later date after the Germans have succeeded in establishing their own economy on a sound basis. MR. PETERSEN said that General Clay was similarly opposed to any experiments in socialization, although he had suggested as a compromise measure that the mines be placed under trusteeship.

SECRETARY MARSHALL said that he was in general agreement with Secretary Patterson's views, but that there appeared to be uncertainty regarding the procedure and terms of a trusteeship for the coal mines; if uncertainty as to future ownership is a deterrent in coal production, it would appear that the trusteeship compromise would merely prolong the uncertainty. He added that as a matter of policy we must consider reaction in this country if we should be found supporting a nationalization of industry program in Germany, and we must also consider the effect on the German political parties in the U.S. Zone of any stand we take.

SECRETARY FORRESTAL said that we can by no means support any socialization program as such would be only an opening wedge for communism. He urged that Secretary Marshall take the matter up with the British at the highest level.

SECRETARY MARSHALL said that the general policy toward public ownership was well stated in paragraph 21 (c) of SWNCC 327/3. He pointed out that this statement provided that the Commanding General should "refrain from interfering in the question of public ownership of enterprises in Germany, except to ensure that any choice for or against public ownership is made freely through the normal processes of democratic government." He said he thought that this general policy could be applied to the coal mining industry. He asked if the other Members agreed with this statement of policy.

SECRETARY FORRESTAL said that he thought that the SWNCC policy statement was too negative in its effect. SECRETARY PATTERSON said that he also felt that this statement was unsatisfactory and should be revised.

It was decided that General Hilldring and Mr. Petersen should seek a revision of this policy statement.

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862.6362/6-2047

Memorandum of Conversation, by the Under Secretary of State for Economic Affairs (Clayton)

TOP SECRET

[WASHINGTON,] June 20, 1947.

Participants: Secretary Marshall
Mr. Clayton

The Secretary asked me to make it quite clear to Mr. Bevin that he regarded the British management of the Ruhr coal problem as pathetic; that the production of coal in the Ruhr is essential to European recovery as we all know, and that we cannot participate in any big new commitments to help Europe get back on its feet unless we know that the problem of producing coal in the Ruhr will be licked and quickly.

The Secretary added that we could not sit by while the British tried out any ideas which they had of experimenting with socialization of coal mines; time does not permit of experimentation.

The Secretary added that when he was in Moscow he was not sufficiently informed on this subject to take the firm stand which he now takes. At that time the only advice and information which he had came from our occupation authorities in Germany. Since then he has had information and advice from other sources and is now convinced that the British have made an absolute failure in the Ruhr.

The Secretary further stated that since we are putting up all the money in keeping Japan alive, we cannot longer stand for punitive interference by the British in our programs there. We must get the Japanese on their feet as quickly as possible in order to get the burden of supporting them off our backs.³⁹

W.[ILLIAM] L. C.[LAYTON]

840.6362/6-2447 : Telegram

The Political Adviser for Germany (Murphy) to the Secretary of State

TOP SECRET

BERLIN, June 24, 1947—9 p.m.

1536. Personal for the Secretary's Eyes Only. My 1452, June 17, 10 a.m.⁴⁰ Last evening British Political Adviser told me that British were disturbed regarding our recent suggestion that the Ruhr coal mines should be placed under a German trusteeship to continue until

³⁹ For documentation on the occupation and control of Japan, see volume vi.

⁴⁰ *Ante*, p. 924.

a central German Government had been established and German people could determine under more normal conditions the future of mine ownership. Steele said that Mister Bevin was determined that socialization of the coal mines on a *land* basis should be promoted at once and that in fact plans in North Rhine-Westphalia were advanced to a point which would not permit of cancellation. He also said that it had been General Robertson's understanding that General Clay had agreed to the socialization of the mines provided it was done on a *land* basis after vote of the German people.

General Clay is telegraphing Howard Petersen that this is a liberal interpretation of what he said to General Robertson, stating that he has told him repeatedly that it would be a great mistake for British Military Government to undertake nationalization of industry within Germany and that he doubted that such action would be acceptable to the US. Clay has told Robertson that US might accept socialization in Germany if it were undertaken on a state and not a national basis as the result of the freely expressed desire of the German people. General Clay has pointed out that he does not anticipate that conditions could be created in Germany which would permit such a free expression until its future political structure has been determined and a central government established. No views have been expressed by us as to the desirability or lack of desirability of socializing the coal and steel industry of the Ruhr in *land* North Rhine-Westphalia. It is, of course, that this would give to the one state the control of the major resources of Germany and a dominant position as a result in the German Government.

It is also pointed out that the British have not thus far advised us in detail of their conversations with the Germans in their zone and particularly in the state of North Rhine-Westphalia regarding socialization.

Steele indicated that we may expect adverse British reaction to the proposed trusteeship with pressure for immediate transfer of ownership of the coal mines to *land* North Rhine-Westphalia. In fact Steele indicated that he felt this was a matter for British rather than US decision in any event.

Clay is advising Petersen that unless US is prepared now to take strong position that the question of socialization should be deferred until reasonable stability has been obtained in Germany, socialization may become the pattern for all of Western Germany. He adds that if our Government is prepared to accept socialism now without an effort to maintain a reasonable degree of free enterprise, then the position taken thus far is creating an unnecessary conflict in the bi-

partite board. He recommends that we either accept or reject socialization now or else agree to defer the issue for a definite period of time. He has requested the War Department's immediate advice and instructions.

I would be grateful for the benefit of the Department's thinking on this subject.

Repeated to London as "Personal for Ambassador Douglas".

MURPHY

740.00119 Control (Germany)/6-2447

*The Secretary of State to the United States Military Governor for Germany (Clay)*⁴¹

SECRET

[WASHINGTON,] June 24, 1947.

PERSONAL

DEAR CLAY: I have received your letter of May 2⁴² in response to the request I made to you in Berlin, and appreciate your giving me your detailed views regarding the various matters concerned. Since seeing you I have listened to a great many presentations of the complications regarding dollar assets or transactions in connection with your zone and also the bi-zonal complications particularly as relates to the Ruhr. All of which makes a very complicated picture. I am seeing the British Ambassador to bring pressure on Bevin regarding the inadvisability of experimenting in the Ruhr at this time. However, Mr. Koenig yesterday expressed the fear that the British had gone too far in this to draw back.

You have my sympathy in the struggle you are having to compose differences on rather fundamental matters and to meet the difficulties imposed by the Soviet refusal to cooperate. It is hard to get the people in this country to understand the general nature of the situation in Europe, and Germany in particular, and the complications which are involved in your particular responsibilities. We have had frequent lengthy discussions in the meetings of the Secretaries of War, State and Navy regarding your problems and have been earnestly endeavoring to take action that will help you in their solution.

With warm regards,

Faithfully yours,

G. C. MARSHALL

⁴¹ The Secretary of State also sent a copy of this letter to the Secretary of War Patterson on June 25 with the comment: "I hope it will help out in the present situation." (740.00119 Control (Germany)/6-1947)

⁴² *Ante*, p. 915.

840.6362/6-2547: Telegram

*The Under Secretary of State for Economic Affairs (Clayton) to the Secretary of State*TOP SECRET
URGENT

LONDON, June 25, 1947—1 p.m.

3474. From Clayton for Eyes Only of Secretary, Acheson and Lovett. At meeting reviewed in immediate preceding cable,⁴³ Bevin had emphasized recovery of Europe and particularly coal production in Ruhr depended on assured food supply and I took this occasion to outline your views that coal production depended upon other things too. Pointing out that current US shipments of coal to Europe approximated 30-5 [35?] million tons annually at a cost of over 700 million dollars, I said this is an intolerable burden for Europe and that Europe must again become self-sufficient in coal at earliest possible moment. I said that while the Secretary had incomplete information on Ruhr position at the Moscow Meeting, he has now made a thorough investigation and is convinced that British record in the Ruhr is bad, and that a radical change is needed in approaching the German coal problem as *sine qua non* to any consideration of the over-all European problem. Bevin accepted the view that output and management had been unsatisfactory. He had been working on the problem and had only taken over responsibility following the Moscow Conference but "got caught on food" and was unable to come to grips with the Ruhr difficulty. He claimed credit for raising production to 250,000 tons per day and for the POW Agreement, but said Communist infiltration into mine management and workers caused difficulty. He had a "tussle" with the French regarding their proposal for operation of the mines by French managers which he was convinced by post World War I experience was impracticable. Bevin asked us to "put someone on to me" and expressed passionate interest in getting production up to 400,000 tons daily. I agreed and added that it was the Secretary's view that the present was no time for experimentation.

[Here follows a paragraph in which Under Secretary Clayton described the portion of his discussion concerned with the situation in Japan.]

To summarize, the two points of criticism you asked me to make were accepted soberly and without rancor by the British and with only weak rebuttal.

⁴³ The telegram under reference here is not printed. It briefly reviewed the first of three meetings which Under Secretary Clayton had with British Cabinet members in London, June 24, 25, and 26. For the records of these meetings, which were concerned with the problems of European economic recovery, see volume III.

As soon as Bevin returns from Paris the Ambassador is going to take the Ruhr problem up actively with Bevin, keeping in touch with General Clay.

[CLAYTON]

840.6362/6-2547 : Telegram

The Secretary of State to the Embassy in the United Kingdom

SECRET

WASHINGTON, June 27, 1947—7 p.m.

2786. From the Secretary for the Ambassador. I am impressed with the vital necessity of improving the present unsatisfactory condition of European coal production and its critical importance to any plans for European recovery. I wish you therefore to ask Prime Minister Attlee to send top level representatives to Washington for a conference on this subject with particular reference to Ruhr production. I shall also ask General Clay to participate in this conference. A summary agenda will be sent you shortly. I hope the conference can meet as soon as possible. Let me know whether such a conference is agreeable to the British govt, the approximate date on which British representatives could arrive and the names of those who will attend.⁴⁴

MARSHALL

862.6362/7-147 : Telegram

*The Secretary of State to the Political Adviser for Germany
(Murphy)*

SECRET

WASHINGTON, July 1, 1947—8 p.m.

URGENT

1384. Personal for the Ambassador. It has been decided, Reurtel 1536, June 24,⁴⁵ to invite Brit Govt to send delegation to Washington soon as possible for purpose discussing German coal problem.

Following telegram to Clay accordingly proposed to War Dept today :

“After lengthy consideration here with coal experts and in view of importance of increased coal production to U.S. plans for European revival, it has been decided that most effective way of coping with

⁴⁴ Ambassador Douglas called on Prime Minister Attlee on June 30. Attlee promised to take up the matter with Foreign Secretary Bevin and reply to Secretary Marshall's proposal as soon as possible. On July 3, Bevin informed Douglas of his acceptance of the suggestion to send top-level representatives to Washington for a conference on coal.

⁴⁵ *Ante*, p. 929.

coal problem is to invite Brit to meeting in Washington for the purpose of agreeing on the steps that must immediately be taken to bring about increased European output. Invitation has accordingly gone forward to Brit Govt. You will be notified of conference date upon reply from Brit Govt and informed of summary agenda for conference.

While we continue to feel that socialization is an important element in slack Ruhr production, it is clear that it is only one of a number of considerations retarding coal production. We feel that the approach suggested is the best way of bringing these problems into the open and desire the benefit of your participation in the proposed discussions together with such assistants as you may require.

Clayton has already emphasized to Bevin in London the urgent necessity of increased Ruhr output and has told Bevin this is no time for experimentation."

Repeated to London, personal for the Ambassador, as Dept's 2841.

MARSHALL

862.6362/7-447: Telegram

The Secretary of State to the Embassy in the United Kingdom

SECRET

WASHINGTON, July 8, 1947—5 p.m.

NIACT

2920. For the Ambassador. While we attach the highest importance to the proposed coal talks in Washington we very much fear that should Bevin decide to come himself (urtel 3667, July 4⁴⁶) his presence here would cause considerable confusion in the public mind both here and abroad. With public interest throughout the world so vitally concentrated on the impending Paris discussions all efforts to explain that Bevin's presence here would not conflict with or cut across the Paris talks⁴⁷ would we fear be of no avail. Furthermore, the Soviet propaganda machine would have a field day. We hope that you can tactfully point out these considerations to Bevin should he be seriously considering participation in the Washington coal talks.

MARSHALL

⁴⁶ Not printed; it reported Bevin's acceptance of the proposal for a coal conference in Washington and also Bevin's statement that he himself might attend the projected conference because of the extreme importance of German coal production (862.6362/7-447).

⁴⁷ The reference here is to the Conference of European Economic Cooperation, held in Paris, July 12-September 22, 1947; for documentation on the Conference, see volume III.

862.6362/7-847 : Telegram

The Secretary of State to the Embassy in the United Kingdom

SECRET

WASHINGTON, July 10, 1947—5 p.m.

2959. Tentative list of topics for coal discussions reur 3745 of July 8 follows for your and Brit Govt info and comment.

RESTORATION OF GERMAN COAL PRODUCTION

A. *Discussion of Specific Coal Production Problems.*

1. The assurance of food, in appropriate quantity and quality, to mine workers and their families.
2. Mine worker housing.
3. Mine worker incentives.
 - a) Consumers goods and special food items,
 - b) Wages and social security.
4. Mine supplies and equipment for internal and export needs.
5. Labor recruiting.
6. Labor relations and collective bargaining.
7. Public relations and publicity.
8. The North German Coal Control and other MG agencies.
 - a) Policy, including development and mining policy
 - b) Personnel
9. The authority of management, mine discipline and denazification.
10. The future tenure of management and problems of stewardship.
11. Elimination of uncertainty in the ownership status of the mines.
12. The financial condition of the mines and the problem of German internal coal prices.
13. Export price of coal.
14. Transportation.
15. The control of coal consumption.

B. *Discussion of the Responsibility of the Bizonal German Economy for the Coal Industry and of Necessary Import Programs.*

1. Requirements of the Coal Industry.
 - a) Food
 - b) Consumers goods
 - c) Mines Supplies and Equipment
 - d) Building materials
 - e) Other
2. Availability of required supplies in the Bizonal German economy.
3. Procurement and financing of necessary imports.
4. Administrative machinery and measures necessary to ensure fulfillment by the Bizonal German economy of the requirements of the coal industry and workers.

This has been sent on July 5 to General Clay for his comments, which have not yet been received. The agenda may be changed in light of General Clay's and your comments.

Obviously the discussions will involve consideration of any questions clearly related to Bizonal Coal problems. We hope Brit will also come prepared to tell us outlook for increasing their domestic production. Not intended that these discussions shall in any way cut across or conflict with proposed general European discussion in Paris.

MARSHALL

840.50 Recovery/7-1247: Telegram

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

SECRET

LONDON, July 12, 1947—noon.

URGENT

3816. For the Secretary. Have discussed with Bevin agenda for coal discussions suggested in Deptel 2959, July 10.⁴⁸ He agrees to all items except number 11 and suggests addition of following:⁴⁹

"He considers that coal production is only one aspect of the problem of the economic recovery of Germany and that there are other aspects which also require full consideration. The real issue with which the two governments are faced is not only the question of coal production but how to achieve a balanced economy in Germany and thus relieve the burden at present being borne by the British and American taxpayer. That being so, the following matters should in his view be included in the discussions.

(a) *Finance*. It is clear that owing to the deterioration of the financial situation it will not be possible for the UK to continue to support the drain on its dollar resources entailed in the existing Anglo-American arrangements for financing Germany's imports. He will therefore have to ask for a revision of the financial provisions of the fusion agreement.

(b) *Food*, and in particular cereals for the combined zone. He welcomes Mr. Anderson's recent statement confirming the determination of the US Government to do everything practicable to make possible the honouring of a regular 1550 calory ration during the coming 12 months.⁵⁰ He feels, however, that if we are to stimulate German production they must aim higher than this and do their utmost to achieve an 1800 calory ration. He thinks

⁴⁸ *Supra*.

⁴⁹ The British position reported upon here was also presented in an *aide-mémoire* from the British Embassy to the Department of State, dated July 15, not printed, and in a conversation on July 15 between Under Secretary of State Lovett and the British Minister in Washington, Balfour. (862.6362/7-1547)

⁵⁰ For additional documentation regarding the measures taken to deal with the food crisis in Germany and the principles of a food supply program for Germany, see pp. 1144 ff.

that, subject to the considerations set out in (a) above, our two Governments should accept this as the target and consider what steps can best be taken within the limits set by the overall supply position to make its achievement possible.

(c) *Bizonal economic policy.* A joint survey of the field of bizonal economic policy should be made in order to settle a number of outstanding questions such as currency reform and an exchange rate for the mark, whose early solution seems essential if Germany is to be restored to stability and enabled to make a contribution to the recovery of Europe.

2. In these circumstances, he presumes that Mr. Marshall will be prepared for the discussions in Washington to cover all these problems while General Clay and the British party of officials are present. If this is agreed, he intends to send a party headed by Sir William Strang and including General Robertson and a small number of representatives from the Foreign Office and Treasury."

Mr. Bevin hopes that the British party will be ready to leave at any time convenient to the United States authorities after July 18 provided sufficient notice is given in advance.

As to item 11 Bevin requests that it be eliminated.

He feels that since citizens of Belgium, Luxembourg, the Netherlands, and France have interests in Ruhr mines, he must first talk with these Governments. He will thereafter discuss the matter with Marshall when the first occasion arises. In the meantime he has instructed Robertson to make headway with Clay in arranging for mutually satisfactory organization of management.

He hopes you will concur with his opinion that item 11 should be omitted from the agenda.

DOUGLAS

862.6362/7-1247 : Telegram

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

TOP SECRET

LONDON, July 12, 1947—noon.

URGENT

3817. For the Secretary. Embtel 3816, July 12,⁵¹ represents British comments and suggestions and has been shown them. The following I could not include:

In regard to item 11, Deptel 2959, July 10,⁵² re removing uncertainty of ownership north German coal mines, Bevin said that in view of the statements he had made before the House of Commons, he could not again agree to a five-year period. Were he to do so he would precipitate

⁵¹ *Supra.*

⁵² *Ante*, p. 935.

a serious political question for him here which would weaken his general position. I am not able to judge fairly his estimate but I have the impression that a plan which would leave the question of ownership in abeyance for five years, or until later, when a responsible German Government could decide the matter, would be generally accepted here except by a few extreme left backbenchers (Berger, whose contacts with labor MP's are broad, confirms this impression).

Bevin further said that he was afraid a five-year commitment would have the effect of disturbing Schumacher and his following in the British zone.

You will note that the British have added to the suggested agenda for the forthcoming meeting, the discussion of financing the bizonal area. If we are to carry heavier burdens, I should think that it would be appropriate for us to have a greater say in economic matters and particularly in the matter of ownership of the mines.

DOUGLAS

862.6362/8-837

The Ambassador in France (Caffery) to the French Foreign Minister (Bidault) ⁵³

SECRET

PARIS, July 14, 1947.

DEAR MR. PRESIDENT: With reference to my letter of July 11, 1947,⁵⁴ I take pleasure in conveying to you the following additional information which I have just received concerning the proposed Anglo-American conversations in Washington on the subject of coal.

In view of their responsibility for coal production in the bi-zonal area of Germany, the United States and the United Kingdom fully recognize that the increase of coal production in the Ruhr is essential to the success of any recovery plan which may be worked out by the countries of Europe. It was with this thought in mind that my Government suggested to the British authorities that they send top level representatives to Washington to discuss the means of increasing production.

⁵³ The source text was transmitted to the Department as enclosure 2 to despatch 9396, August 8, from Paris, not printed. This letter was sent to Bidault in pursuance of instructions contained in telegram 2576, July 11, to Paris, not printed (862.6362/7-1147).

⁵⁴ The letter under reference, not printed, informed Bidault of the projected American-British coal talks in Washington and enclosed a copy of the tentative agenda set forth in telegram 2959, July 10, to London, *ante*, p. 935. The July 11 letter was sent in pursuance of instructions contained in telegram 2541, July 10, to Paris, not printed (862.6362/7-1047).

As indicated in my previous letter, the proposed talks will not be in any way competitive with or duplicate any discussion of the coal problem which may result from the present Conference for European Economic Cooperation. On the contrary, we envisage these talks primarily as an effort to improve the coal situation in the U.S.-U.K. zones in Germany in order to facilitate such plans as may be elaborated in Paris.

I may add that, if it has not already done so, the Department of State contemplates keeping in very close touch with the French Embassy in Washington regarding the progress of the conversations and will keep your Embassy fully informed.

I take [etc.]

JEFFERSON CAFFERY

840.50 Recovery/7-1547 : Telegram

The Secretary of State to the Embassy in the United Kingdom

SECRET

WASHINGTON, July 15, 1947—8 p.m.

3033. Pls impress upon Bevin following views regarding his proposal on agenda for coal conference (reurtels 3816 and 3817, July 12⁵⁵):

1. Re deletion item 11, US anxious simply to discuss effect on coal production of existing uncertainty regarding ownership status of mines and, if uncertainty agreed to be deterrent to production, to discuss ways and means of ending such uncertainty. No intentions here to prejudge solution.

2. US Govt considers proposed broadening of discussion untimely and believes agenda should be confined to questions bearing directly on coal. While appreciating Brit position, US believes any revision of financial provisions of fusion agreement or broad program of German economic recovery should not be discussed until Paris deliberations take clearer form. Recognize importance of food and other bizonal economic problems but believe this conference should focus clearly on coal in order to prevent diffusion of discussion.

US prepared start discussions Wed, July 23. Advise if Brit Delegation can arrive by this time.

MARSHALL

⁵⁵ *Ante*, pp. 936 and 937.

862.6362/8-1848

*Agreed Paper by the Bipartite Board*⁵⁶

SECRET

[BERLIN,] 16th July 1947.

BIB/P(47)79

GERMAN COAL ORGANIZATION

1. US/UK Military Governments have decided that the time has come to hand over the responsibility for coal production to German hands. In pursuance of this decision the following arrangements shall be made forthwith and shall be brought into operation on August 1st.⁵⁷

2. The German Executive Administration of Economics will set up a Department, one of the main responsibilities of which will be to undertake the functions normally exercised by a Government Department in respect to the coal industry. These functions, in broad terms, will cover the following responsibilities:

- a. Safety Regulations and Mines Inspectorate.
- b. Consideration of problems of government finance and subsidies.
- c. Consideration of labour matters in the coal industry from the governmental standpoint.
- d. Consideration of housing policy for the coal industry.
- e. Initiation of ordinances and regulations affecting the coal industry.

Coal allocations, subject to export and other allocations directed by Military Government, will be the responsibility of the Executive Administration for Economics, in accordance with the coal allocation policy.

The Executive Administration for Economics may set up an Advisory Committee to advise the Department. The Department will exercise the normal Civil Service functions appropriate as between Government and industry.

3. There will be set up for the management of the coal industry, as an interim measure, a German Coal Management. The German Coal Management will be responsible to the US/UK Military Governments for the efficient and effective operation of the coal industry under the ordinances and regulations of the Economic Council which have been

⁵⁶ This paper had been originally approved at the Fourteenth (Extraordinary) Meeting of the Bipartite Board on July 16, 1947. The paper subsequently came under consideration during the conversations between American and British officials, August 12-September 10, 1947, in Washington, on questions related to Ruhr coal production. In the course of these conversations, a revision in paragraph 10 of this paper was approved. The source text, which was circulated during the American-British conversations as document AGC/11/Rev/3, Gen/1/3, August 28, 1947, incorporates the revised paragraph. The original text of paragraph 10 is indicated in footnote 58 below.

⁵⁷ The arrangements for the transfer of responsibility for coal production to German hands were not effected until November 1947; see editorial note, p. 976.

approved by US/UK Military Governments. The German Coal Management will be headed by a General Director selected for his administrative experience and ability. He will be assisted by a number of Directors of Departments, each of whom will be chosen for his technical ability and experience from the coal industry.

4. The General Director will be appointed by US/UK Military Government, in consultation with whom he will select the Directors of Departments. In no circumstances will political considerations be permitted to influence the appointment either of the General Director himself or his Directors of Departments. It is vital in the interests of the industry that persons selected for these important posts should command the confidence of management and workers in the industry by reason of their experience, efficiency and character. The General Director will establish and will call upon from time to time for counsel and advice an Employee-Management Advisory Committee.

5. The German Coal Management will contain the following chief Departments.

- a. Production
- b. Safety, Engineering and Planning
- c. Distribution and Sales
- d. Mining Supplies and Procurement
- e. Mine Housing, Incentives and Welfare
- f. Labour Relations
- g. Finance, Accounting and Statistics
- h. Public Relations

6. The General Director and his organization shall have authority:

- a. To manage the industry through individual mine managements directed through district organizations.
- b. To ensure the efficiency of mine and district managements including the appointment and removal of key personnel.
- c. To take all measures necessary to maintain and utilize the resources of the industry and to improve its efficiency and to develop its facilities.
- d. To supervise the financial position of the industry and to exercise such borrowing powers as are approved by the appropriate authorities.
- e. To supervise all coal distribution and selling policy. Export sales shall be subject to:
 1. Directives by US/UK Authorities, including allocations of ECO or its successor body.
 2. Export receipts being paid to the appropriate foreign exchange accounts.
- f. To deal with governmental and other authorities for allocations of mining supplies, consumer goods and building materials for industrial and housing purposes.

g. To carry out, in cooperation with the appropriate governmental authorities, recruiting campaigns for additional manpower. To supervise all matters pertaining to relations of management with labour in the industry and including wage administration, labour supply, general social and welfare questions and the carrying out of safety regulations within the industry.

7. There will be associated with the German Coal Management a US/UK Control Group, which will transmit to the General Director export and other appropriate directives on behalf of US/UK Military Government.

8. Contracts with key personnel should be of a character which would attract the best possible personnel in the interests of German and European economic recovery.

9. Increased coal production is of first importance to the recovery of a reasonable economic status for Germany, and in their own interests the Germans are being given responsibility for the operation of the industry, in order to return it as quickly as possible to pre-war production levels. The General Director and the Directors of Departments will obviously be the key to the success or failure of German Management.

10. The status of mine properties under Military Government Law No. 52 remains unchanged. To safeguard the interest of foreign nationals owning not less than a 51 percent beneficial interest in any coal mining property, but without prejudice to the objective of maximizing coal production, such owners will be allowed, if they so desire, to appoint representatives to their properties. These appointments will be subject to the approval of the United States-United Kingdom Control Group and will be conditional upon the owners of the properties concerned agreeing that their representatives will be subject to any regulations that may be laid down by the German Coal Management or the United States-United Kingdom Control Group for the operation of the coal mines as a whole and that the appointment of such representatives shall not confer upon them powers which will in any way infringe upon the authority of the German Management or of the United States-United Kingdom Control Group.⁵⁸

⁵⁸ Prior to the revision approved during the American-British coal conversations in Washington, this paragraph read as follows:

"10. The status of mine properties under Military Government Law No. 52 remains unchanged. A member of the US/UK Control Group with appropriate liaison staff will be designated to safeguard the interest of foreign owners."

For the text of Military Government Law No. 52 under reference here, concerned with the blocking and control of property within the occupied territory, see *Military Government Gazette, United States Zone of Germany*, Issue A, 1 June 1946, p. 24.

862.6362/11-2547

*Agreed Paper by the Bipartite Board*⁵⁹

RESTRICTED

[BERLIN,] 16th July 1947.

BIB/P(47)80

INTERIM AGREEMENT FOR INTERNAL US/UK USE ON
GERMAN COAL ORGANIZATION

1. It has been agreed between U.S. and U.K. Military Governments that governmental regulation of coal is to be separated from the operational management of the coal industry.

2. The normal governmental regulation of the coal industry would be a function of German government under the Economic Council, and in turn under the Executive Administration for Economics just as in the case of other industries. The governmental regulation of coal would be actually performed by a Department of the Executive Administration for Economics, with a civil servant appointed as head of the department. These matters pertaining to governmental regulation, such as safety regulations, mine labor ordinances, provisions for governmental subsidies, and governmental allocations of coal would be handled by the Department. Proposed legislation in this field would be prepared and recommended by the Executive Administration for Economics to the Executive Committee for enactment by the Economic Council. Requests for needed subsidies would be made by the Economics Administration to the Finance Administration and the Executive Committee. Coal allocations, subject to export and other allocations directed by Military Government, will be the responsibility of the Executive Administration for Economics, in accordance with the coal allocation policy. Governmental regulation of the coal industry would not, however, include the control of production or the supervision of the normal management functions of the industry.

3. The management of the coal industry would include production, distribution and all other functions of management in the German coal industry. Management will be exercised by a German General Director and a Board of Directors. A General Director will be appointed immediately by the Bipartite Board but the Board of Directors will be named only when the ownership status has been resolved as governmental, private or a five year trusteeship. In the meantime, the General Director would report to a US/UK control group in Essen, acting through the Control Office in Frankfurt for the Bipartite Board.

⁵⁹ This paper was agreed upon by the Bipartite Board at its Fourteenth (Extraordinary) Meeting on July 16, 1947. The source text was transmitted to the Department as enclosure 2 to despatch 11370, November 25, 1947, from Berlin, not printed.

The General Director would name eight Directors of Departments subject to US/UK approval and each supervising one of the following functions:

- a. Production
 - b. Safety, Engineering and Planning
 - c. Distribution and Sales
 - d. Mining Supplies and Procurement
 - e. Mine Housing, Incentives and Welfare
 - f. Labor Relations
 - g. Finance, Accounting and Statistics
 - h. Public Relations
-

840.50 Recovery/7-1747 : Telegram

The Secretary of State to the Embassy in the United Kingdom

SECRET
URGENT

WASHINGTON, July 17, 1947—8 p.m.

3066. For the Ambassador. British Embassy has just presented *aide-mémoire*⁶⁰ stating that Bevin most disappointed that US does not feel prepared to enlarge scope of discussion on coal production in Western Germany to other related matters; that Bevin feels bound to accept US decision that agenda not be enlarged at present; and that consequently he does not think he would be justified in sending party to Washington merely to discuss coal. Although sharing US view of urgency of coal problem, Bevin does not consider decision on coal alone, isolated from other related matters, would have serious effect on coal production for next few months. Decisions on coal alone could, in Bevin's view, just as well be reached in Berlin by Mil Governors, supported if necessary by experts from Washington and London. *Aide-mémoire* continues that Bevin greatly regrets Brit will not have opportunity of explaining to US the impossibility for Brit to continue to support dollar drain imposed by arrangements for financing Germany's imports. Hopes that assistance may emerge as part of plan for European recovery, but wishes to place on record fact that, whatever the issue of present European reconstruction discussion, Brit will not be able to continue to bear serious burden.

Brit were advised of our view that to broaden scope of discussions beyond Bizonal coal production inadvisable at this stage, particularly in light of Paris Conference. It was acknowledged that discussion of other German matters suggested by Brit would have to take place some time in future. With respect to coal talks, we informed Brit that our reason for suggesting their being held in Washington was largely

⁶⁰ Dated July 17, 1947, not printed (862.6362/7-1747).

because of importance of placing them on governmental level, which we believed necessary if immediate increase of production is to be achieved.

Brit were also informed that you were taking up with Bevin the matter of the coal talks.

You should emphasize to Bevin the importance we attach to these talks and the fact that he had accepted the invitation to hold them in Wash (Embtel 3745 July 8⁶¹) and had publicly so announced. The press is already considerably confused by reports from London this afternoon and is reading into reversal of British position serious differences between us.

With respect to Brit dollar drain, we emphasized that we were familiar with the situation and were following it closely.

MARSHALL

862.6362/7-2547 : Telegram

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

SECRET

LONDON, July 25, 1947.

URGENT

4070. For Lovett. Went over with Bevin again the agenda of the forthcoming Ruhr coal conference in Washington and asked him precisely what sort of amplification he wanted.⁶² Pointed out that food was a clear statement; housing, mining equipment, the same, that the management problem items on the agenda, it seemed to me, needed no clarification.

Explained to him that in regard to item 11, we wanted to discuss the adverse effects which uncertainty as to the status of the mines had upon the production of coal, and the ways in which these adverse effects might be removed and that this might lead to a discussion of nationalization.

Also pointed out that, in accordance your cable 3134, July 22,⁶³ while financial matters will arise in the course of the discussions, we could make no commitments at this time because we were operating under an appropriation of Congress, in respect of which the fusion agreement formed the basis.

⁶¹ Not printed.

⁶² Telegram 4057, July 24, from London, not printed, reported that the British Cabinet had agreed in principle to send a small party of officials to Washington to discuss technical problems connected with the increase of coal production in the Ruhr provided that Foreign Secretary Bevin received an amplification of the American agenda for the conference (862.6362/7-2447).

⁶³ Not printed.

He asked whether it would be appropriate to discuss the possibility of expending the amount of money set aside for the support of the bi-zonal area in a shorter period than the 18 months for which the estimate was made. I could not answer this question for I do not know the terms of the appropriation made by Congress.

Would appreciate as promptly as you can give them to me, any amplifications of the agenda you can send and an answer to the last question.

Bevin was very disturbed, and he said the members of the Cabinet were equally disturbed lest at the forthcoming conference the British be put on the mat for maladministration. He did not, he said, want to be on the defensive. He had no apologies to make for British administration and did not want his delegation to be placed in the position of defending what he thought, in view of the difficulties with France and with food, had not been too bad. In this connection Bevin referred to the publicity given to Moses report.⁶⁴

I tried to explain to him that it was our purpose to review the facts without criticizing anyone, and to try to devise methods by which production of coal be increased.

If you have any elaboration on Bevin's apprehension, I would appreciate it also.

DOUGLAS

862.6362/8-448

*Summary Minutes, Ninth Executive Session, Anglo-American
Conversations Regarding German Coal Production*

[Extracts]

SECRET

[WASHINGTON,] August 21, 1947.

AGC/Minutes No. 9

Present:

U.S. Group:

Delegates:

Major General W. H. Draper, Economic Adviser to the Commander in Chief, European Command

Max Forester, Chief, Coal Section of Economics Division, European Command

⁶⁴ In July 1947, following a survey of conditions in Germany, Robert Moses presented a report to General Clay. At the request of the Department of State, publication of the report, which was in part critical of British management in the Ruhr, was delayed until after the beginning of the American-British coal discussions in Washington. The Moses report was eventually released to the press by the War Department in mid-September 1947.

James A. Stillwell, Special Assistant to the Under Secretary of State for Economic Affairs
 Tracy S. Voorhees, Special Assistant to the Secretary of War

U.K. Group:

Delegates:

Sir William Strang, Political Adviser to the Commander in Chief, Germany
 Sir Mark Turner, Economic Adviser on German Economic Matters to the Foreign Office
 D. L. Anderson, Vice-President, Economic Subcommittee of the Control Commission for Germany (British Element)
 F. H. Harrison, Chief of Fuel and Power Division of the Control Commission for Germany (British Element)
 H. E. Collins, Senior Director of the Production Branch of the North German Coal Control
 A. G. Gilchrist, Foreign Office, Secretary of the Delegation
 J. H. Penson, British Embassy

OWNERSHIP OF MINES

Action: It was agreed that this subject would be further discussed at a later date.

Discussion: The United States members put forward the following arguments as to why decisions by the Germans for public ownership, or at least implementation of those decisions, should not be allowed at this time:

1. Discussion and debate involved in reaching a decision by the Germans would hurt production because it would distract the attention of the workers and because the prospect of political interference would affect the efficiency of management. While the U.S. Government is willing to see the question of ultimate ownership considered by the Germans, it cannot allow that issue to affect production.

2. The decision should wait on more nearly normal conditions.

3. The decision should be made by not just one *Land* (Rhineland-Westphalia) as is contemplated, but by some political entity more representative of the German people as a whole, since the Ruhr should be considered an asset belonging to the whole German people.

4. While it is recognized that a decision in principle by the Germans for public ownership would have no legal effect on the authority of the proposed U.S.-U.K. Control Group, it is believed such a step would have the practical effect of lessening the Control Group's authority.

5. In answer to the argument that the only solution to the present situation is public ownership because of the need for capital (see below), it may be argued that the coal still in the ground is a very valuable asset and that charging higher prices for the coal would enable the coal industry to obtain capital from private German sources or from sources outside Germany.

The U.S. Members stated that the only objective in proposing a fixed tenure of management is to assure continuity of management during which time increasing coal production is to be specifically emphasized; that, while this Government has some doubt as to the advisability of an early decision by the German people on the socialization question, this Government will not take a position in favor of either public or private ownership, and will not interfere with German discussions and decisions on the issue, provided they are arrived at by democratic processes and provided that actual implementation of the decision is deferred until after production is no longer a problem.

A British member drew attention to the resolution passed by the *Industrieverband Bergbau* calling for the transfer of the mines to *Land* North-Rhine/Westphalia, failing which an adequate increase in coal production is out of the question.

He emphasized the opinion previously expressed that the uncertainty with regard to ownership of the mines would, if long continued, adversely affect production and that it would be wise, therefore, to institute some form of public ownership as early as possible. His Majesty's Government could not therefore agree to any formal or express postponement of the decision and nothing said by the British delegation at these discussions should be taken as implying consent to such a postponement. He cited the remarks made by Mr. Bevin in the House of Commons in which he said that although he had allowed time for discussion he had not abandoned the policy of public ownership for the mines.

The British member referred to the proposal made by His Majesty's Government to the U.S. Government that a suggestion for international control of the Ruhr industry might be brought forward at the Paris conference and said that he had heard of the U.S. Government's negative reaction to this proposal.

A U.S. member said that, if it was envisaged that the eventual settlement with Germany should include some form of international control for the Ruhr, the problem arose of finding an interim solution.

The British member said that as the proposal had been turned down this point did not arise. Speaking personally, however, and not wishing to be thought to be giving an official view, he considered that, although the final decision on ownership might be left until a German Government, all-German or bi-zonal or tri-zonal, existed and the German people could therefore be consulted, it might well be possible to pass provisional and interim measures for public ownership on a *Land* basis. It was not the intention that the U.S.-U.K. Control Group should take a decision on this issue on behalf of the German people. He was suggesting that the principle of public owner-

ship should be established now and that the exact and final form might be settled later by the German people. However, even the provisional introduction of public ownership on a *Land* basis should be carried out with the consent and at the request of the German people. The recent resolution of *Landtag* North-Rhine/Westphalia already gave warrant for such a step. The U.S. authorities in Germany had already stated more than once that there would be no objection on their part to the establishment of public ownership of the mines if it was clear that the initiative came from the Germans. On the basis of this assurance, the British authorities would have regarded themselves as entitled to move a step further on this question. He did not agree that the decision, if made, would lessen the authority of the control group, since their approval would still be needed for any appointments to the management of the industry. He said that the U.S. argument, that the change to public ownership would create political discussion and divert the main effort from coal production, could also be used against the change to a U.S.-U.K. control group and a German coal management. These latter measures were being taken, and rightly taken, for other than production reasons and it should not be thought that they would increase production, at any rate in the short run.

Another British member said that a U.S. member had said that the U.S. authorities regarded private ownership as a better incentive to production; he himself considered that the question should not be decided on ideological grounds but after examination on the basis of the facts. He recalled that the mines were losing money at the rate of RM72 million a month and that these losses were being met from the public purse. If the Dodge plan⁶⁵ was implemented there simply would not be enough private capital in Germany to finance the mines in such conditions. He said that two factors arose which could not be neglected. Firstly, the C.D.U. in North-Rhine/Westphalia and the S.P.D. in the other *Laender* of the British Zone were all in favour of public ownership. Secondly, the financial condition of the mines showed that public ownership was inevitable. It was therefore impractical to suggest postponement of a decision in the hope of restoring private ownership. He wished to refute most strongly any suggestion that His Majesty's Government were acting from ideological motives alone.

⁶⁵ In 1946, a team of advisers headed by Joseph M. Dodge, Financial Adviser to General Clay, prepared a report setting forth a plan for financial reform in Germany. The major proposals of the Dodge plan are described in Edward H. Litchfield and Associates, *Governing Postwar Germany* (Ithaca, New York, Cornell University Press, 1953), pp. 421-422.

862.6362/8-2247 : Telegram

*The Acting Secretary of State to the Embassy in the
United Kingdom*⁶⁶

[Extracts]

TOP SECRET

WASHINGTON, August 22, 1947—8 p.m.

3638. For the Ambassador and General Clay from State and War. In coal talks after exploratory discussions on our trusteeship proposal putting ownership question on ice for five years, the British, after indicating opposition, have asked for statement of the US position. There follows a draft of the US position on which there is substantial governmental agreement on all points except the question of permission to the Germans to vote on the public ownership of the coal mines:

“Ownership and Organization. The purpose is to bring about the earliest possible increase of coal production to pre-war levels in the interest of the recovery of the economy of Germany and of the rest of Europe, and to that end to assure, under German responsibility, the best management together with continuity of management for the extended period requisite to achieve this objective. To this end:—

a. Possession, direction, management and complete control of the coal mining properties, related facilities incident to the processing of coal products, and miners' housing to the extent that this is company-owned, should be vested in an individual German Trustee. The Trustee should be the same person as the General Manager above mentioned.

b. To the extent that the Trustee, acting with the approval of the US/UK Control Group, may from time to time determine to be necessary, the possession, management and control—and, where this is deemed essential, the title and ownership—of miners' housing which is not company-owned and of areas suitable for the construction or rehabilitation of such housing or otherwise necessary for operation of the mining properties, should also be vested in the Trustee, subject to just compensation to the owners. The Trustee may exercise such rights to the extent authorized under the German law and, if not so authorized, the Military Governments, when requested to do so, should take requisite action.

c. Subject to the Trustee's responsibility for maximum production and without any determination hereby as to the future ownership of the mines, the assets should be held by the Trustee, pending determination of the ownership of, interests in, and claims against such assets or the proceeds thereof (including compensation for the use or surrender thereof) for those entitled thereto as the ownership, interests and claims may ultimately be determined.

d. The Trusteeship should continue for a five-year period, during which action on the ownership question will be suspended.

⁶⁶ General Clay's comments on this telegram were contained in telegram 72088, August 25, from London, p. 1059.

e. The Trustee should function under the supervision and policy control of a US-UK Control Group, which would act for the Bi-Partite Board.

f. The actions, policies and procedures of the Trustee should be subject to any enactment affecting the coal industry promulgated by the Economic Council and approved by the US-UK Military Government."

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In light present political situation in England we should like the Ambassador's views regarding repercussions in the U.K., particularly with respect to para *d*, which would arise should this paper be submitted to the British at this time. We should also like the comments of the Ambassador and General Clay regarding a possible compromise with the British by which para *d* would be modified to allow the Germans to vote on the question of public ownership either (1) at any time during a five-year period or (2) toward the end of the five-year period, it being completely understood that regardless of the outcome of such a vote the mines would remain under the exclusive management and control contemplated by the above plan without any exercise of control by private or public ownership during the five-year period.

We have not included in the above plan but have informally suggested to the British that the US-UK Control Group mentioned in para *e* of the plan should have an unequal membership in order to provide a single Chairman, although did not consider necessary to mention that we intended Chairman to be US. We believe single US Chairman important to efficient operation and that British financial situation in any case indicates necessity of considering increased US control soon in which case a US Chairman would be logical. However, recognize probable difficulties of obtaining British agreement particularly as bizonal finances not formally being discussed. The British have not commented yet. Your respective views are requested regarding British reaction and effect on bizonal administration should we officially propose U.S. Chairman.

For your information we expect that the German coal management paper agreement reached in Berlin⁶⁷ with change in last para concerning foreign ownership which Clay has approved will be formally agreed by British tomorrow. If so will advise you accordingly so that French views on coal management may be obtained and final decision reached by US-UK on management question. Desire to reach determination by Monday as to whether trusteeship proposal will

⁶⁷ The reference here is to German Bipartite Board document BIB/P(47)79, July 16, 1947, p. 940.

be presented to British. If presented and British object term "Trustee" might revise paper using some such term as "Coal Administrator" which State prefers anyway.⁶⁸

LOVETT

862.60/8-2447: Telegram

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

SECRET

WASHINGTON, August 24, 1947—4 p.m.

URGENT NIACT

3661. For General Clay and Douglas from State and War. In personal and confidential talk between Strang, Turner, Draper and Stillwell,⁶⁹ Strang made clear that he authorized to receive American Trusteeship proposals but to discuss only effect on production of present uncertainty concerning ownership issue and not authorized to conclude any agreement. Presumably latter might be modified by additional instructions if satisfactory compromise basis achieved, but this not definitely stated. British recognize desirability continuity of German management under US-UK Control Group but favor opportunity be given to Germans, preferably on *Laender* basis, to reach decision on nationalization even though actual implementation delayed until coal production under proposed management arrangement has approached prewar levels, say 350,000 tons per day. Turner as personal and unofficial suggestion only put forward the thought that instead of the Trusteeship or some similar arrangement lasting a definite period of years to which British strongly opposed, an arrange-

⁶⁸ In a memorandum from Stillwell to Lovett, dated August 5, 1947, not printed, reviewing discussions between the State and War Departments on the coal production problem in Germany, the significance of the term "trustee" is examined as follows:

"It is agreed that the German Manager shall have possession and full control of the mining properties, free from any control by or responsibility to any owners. No proposal has been made by either State or War that *title* to the properties be changed at this moment. Nevertheless, the War Department insists upon designating the German Manager as a 'trustee'. The term 'trustee' is insisted upon because of General Clay's contention (a) that the present owners must be protected, and (b) that any other term might indicate a move towards socialization. However, a paper has been written specifying the responsibilities and restrictions on the so-called trustee which, in effect, makes him an administrator rather than a trustee. In order to avoid confusion and misunderstanding, especially in the minds of the German people, and to avoid the implication that a trust is created for the benefit of the present owners, State conferees have maintained the position that the individual should be called an Administrator, particularly since this term most accurately defines his duties and responsibilities. However, in view of the War Department's adamant insistence on General Clay's desire for a 'trusteeship,' State conferees have conceded this point." (862.6362/8-547)

⁶⁹ The officials named here were all participants in the American-British conversations on Ruhr coal being held in Washington.

ment might be proposed by us under which Trusteeship should continue until production had reached 350,000 tons per day and been maintained at that average level for period of, say six months. Then Germans would be permitted make decision as to future ownership status and actually carry out the decision. They would insist that nationalization not be precluded as one of the possible German decisions. This appears to us here as real possibility for acceptable solution and as the only compromise basis on which British approval might be obtained. Would appreciate views of Clay and Douglas urgently.⁷⁰

LOVETT

862.60/8-2547 : Telegram

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

TOP SECRET

LONDON, August 25, 1947—4 p.m.

URGENT NIACT

4604. For Lovett from Douglas and Murphy. ReDeptel 3638⁷¹-3661.⁷²

1. Our views in regard to inclusion of paragraph *d* in any statement which may be published in England is as follows:

(a) It would, we think, cause hardly a ripple on general public sentiment in this country.

(b) Within certain elements of the trade union movement it would doubtless be attacked and would cause opposition and resentment. It should be noted, however, that at a small dinner with seven or eight labor MPs, when among other things public ownership of the coal mines in Germany was discussed, they took the general view that the matter could well be held in abeyance for several years.

(c) Bevin has made a commitment to the House of Commons and insofar as we know, his position previously reported on this question remains unchanged.

Our conclusion is that the inclusion of paragraph *d* would not prejudice general public opinion in England one way or the other.

2. As to the second question. First, we are not clear as to whether the compromise contemplates that only the Germans in north Rhineland Westphalia will vote on the question of public ownership of the coal mines of the Ruhr, or whether it contemplates that the Germans in the remainder of the *Laender*, at least of the bizonal areas, be per-

⁷⁰ General Clay's comments on this telegram were contained in telegram 72088, August 25, from London, p. 1059.

⁷¹ *Ante*, p. 950.

⁷² *Ante*, p. 952.

mitted to have a voice in the determination of this question. It seems to us that there is a distinction between the socialization of a small utility servicing a limited area and the coal mines of the Ruhr which it is universally agreed are of such great significance to all of the people of Germany.

If all of the people of Germany as it is reconstituted are entitled to express their views on this question, as we believe they should, then we do not see how a compromise along the lines of the one indicated in your 3638 or your 3661 can now be agreed to for the valid reason that we do not now know what the reconstituted Germany will include. When, however, it is known what will be embraced in the reconstituted Germany as a whole, and that the German people are able freely and considerably to express their views on the subject of public ownership of Ruhr coal mines, we see no reason why they should not then have the opportunity to do so. We do not believe German people should be barred from expressing their views on this question when the conditions suggested herein have been met. Whether this takes place at any time within the five-year period or not, or when production has reached a given level, seems to us unimportant.

3. As to your third question on unequal membership US-UK control group, our views are as follows:

As we understand it, bipartite board consists of an equal membership. If this is the case, then it would seem to us that the US-UK control group should be similarly constituted, at least until negotiations respecting a redetermination of respective financial obligations for the bizonal areas are commenced. At that time it might be appropriate to suggest unequal membership and a US chairman.

Repeated Geneva for Clayton 131.

DOUGLAS

740.00119 Control (Germany)/8-2647: Telegram

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

SECRET

WASHINGTON, August 26, 1947—5 p.m.

3693. For the Ambassador and Gen. Clay from State and War. British Chargé has presented following note dated 23rd August:

"Following on your conversation with Sir Wilfred Eady yesterday,⁷³ I am writing to confirm that His Majesty's Government would wish to discuss as early as possible the revision of the financial pro-

⁷³ No Department record of the conversation under reference has been found.

visions of the Agreement concerning the British and American Zones of Occupation in Germany, signed on the 2nd December, 1946.⁷⁴

It is clear that even at the current rate of expenditure the present United Kingdom appropriation for this purpose will be exhausted by the end of December next or early in January. As this Embassy has explained to the State Department on behalf of His Majesty's Government, it will be quite impossible for us in present circumstances to provide further sums in dollars for this purpose once the appropriation has been exhausted.

The facts of the strain upon our dollar resources which have led to this situation have been fully explained to you and to Mr. Secretary Snyder.⁷⁵ His Majesty's Government will, however, wish to discuss with the United States Government what contribution from non-dollar sources they may be able to make for the bizonal area of Germany.

Article 12 of the Fusion Agreement provides for amendment by mutual agreement and for review at yearly intervals. In the opinion of His Majesty's Government it would be unwise to defer a review of this problem until a later date, as this would leave too little time for alternative arrangements to be made. Moreover, as was explained to your representatives during the discussions this week, His Majesty's Government is in the act of reviewing its over-all financial resources and it is of the utmost importance that its liabilities in relation to Germany should be determined at the earliest possible moment.

His Majesty's Government would accordingly suggest that the examination of this problem should begin at the earliest possible moment. British officials with knowledge of the relative financial arrangements are in Washington and are available to discuss the problem.

I should be glad to be informed what arrangements for these discussions you would propose."⁷⁶

Believed here by State and War desirable undertake negotiations with British at early date. Washington logical site in view presence British experts. Presence high officials US and UK zones believed essential.

Comments Douglas and Clay urgently requested, including Clay's views last sentence.

LOVETT

⁷⁴ For the text of the United States-United Kingdom Bizonal Fusion Agreement of December 2, 1946, see Department of State Treaties and Other International Acts Series 1575, British Cmd. 6984, or *Germany 1947-1949*, pp. 450-453.

⁷⁵ For documentation regarding the British dollar crisis and the revision of the Anglo-American Financial Agreement of 1945, see volume III.

⁷⁶ In a note of September 17, 1947, not printed, Acting Secretary of State Lovett informed British Ambassador Lord Inverchapel of the willingness of the United States Government to review the financial provisions of the Fusion Agreement and to begin discussions on the subject in Washington beginning October 8 (740.00119 Control (Germany)/8-2347).

740.00119 Control (Germany)/8-2847: Telegram

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

SECRET

LONDON, August 28, 1947—1 p.m.

4665. For Lovett. Department's telegram 3693⁷⁷ received yesterday in garbled form; received only this morning in understandable form.

The British situation is so clearly critical that I believe we should agree that mutual examination of the fusion agreement of the bi-zonal area should be commenced as soon as possible.

I have discussed this matter with General Clay. The following are his views:

He believes that if there is to be borne by the United Kingdom a smaller part of the financial costs of the bi-zonal area, their voice in the determination of economic affairs in this area should be lessened, and the voice of the United States Government and the American authorities in the bi-zonal area should be greatly increased. The proportionate weight of the respective US-UK voice in political matters should remain as in the present fusion agreement.⁷⁸

I concur.

Sent Department 4665, repeated Paris for Douglas as 49, Berlin as 416.

CLARK

840.50 Recovery/9-847: Telegram

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

SECRET

LONDON, September 8, 1947—6 p.m.

URGENT NIACT

4863. For Lovett. Met this morning with Bevin, Sir Gilmour Jenkins and Hoyer-Millar (Deptel 3854, September 5⁷⁹).

1. While Bevin had hoped that US-UK negotiations for the revision of the bizonal fusion agreement would commence immediately, and is disappointed that this is not the case, he understands the reason for the delay and agrees to October 8 as the day on which they will commence.

⁷⁷ *Ante*, p. 954.

⁷⁸ Telegram 2093, August 29, from Berlin, not printed, transmitted the substance of a message from General Clay to the War Department in which Clay reaffirmed his endorsement of Washington conversations looking to the revision of the Fusion Agreement. In view of the large number of Congressional Committees scheduled to visit Berlin in September, Clay urged that the Washington conversations be deferred until after the conclusion of the visits, particularly if his personal attendance was desired. (740.00119 Control (Germany)/8-2947)

⁷⁹ Not printed; it reported that the termination of the American-British coal conference in Washington was delayed pending British acceptance of the terms of the proposed German coal management agreement (see p. 940). (862.6362/9-547)

2. As to the agreement on the question of the control group in its relationship to the coal conference report, he agrees in principle that there should be established a US-UK control group, but believes that the nature and composition of the control group should not now be fixed. UK believes that any specific definition of the composition and nature of the US control group which might now be made, might be changed either in the light of the final results of the US-UK negotiations regarding revision of the fusion agreement or after such negotiations commence, in the light of the trend which the negotiations might indicate before their completion. UK believes that to establish a definite US-UK control group now, and to change it a month or six weeks from now, would cause confusion in Germany and would give the impression of vacillation. UK believes it preferable to wait a short period and then to define the composition and nature of the US-UK control group once and for all.

3. Bevin urges that, in addition to the UK, US consult with the Benelux countries and France in regard to the coal management plan, particularly as it affects the limited number of coal mines in which the nationals of these countries have more than a 51 percent interest.

4. Immediately after the consultations referred to in paragraph 3, it is Bevin's view that the first step should be to transfer management of the coal properties to the Germans as contemplated in the management agreement.

5. After having effected the transfer referred to in paragraph 4, and contemporaneously with knowledge of the trend of US-UK negotiations in respect of the fusion agreement, determination of the composition and nature of the US-UK control group should be made.

His concern that this be the chronological order of events, in addition to the reasons referred to in paragraph 2 above, is due to his apprehension that prior determination in detail of the US-UK control group would carry the implication of mismanagement on the part of the British and lay him open to criticism from certain members of his party and from the opposition.

DOUGLAS

862.6362/9-847

Memorandum of Transatlantic Telephone Conversation, by James A. Stillwell, Special Assistant to the Under Secretary of State for Economic Affairs (Clayton)

[WASHINGTON,] September 8, 1947.

As a result of Ambassador Douglas' talk with Mr. Bonesteel⁸⁰ this morning, I called Ambassador Douglas back and talked with him at

⁸⁰ No record has been found of the conversation under reference.

1:15 EDT and outlined the U.S. position regarding the Management Plan and the US/UK Control Group as follows:

1. (1) Since the Management Plan⁸¹ was worked out and agreed to by the US/UK Commanders in the Theater over 60 days ago, (2) since Section 3 of the Bizonal Agreement specifically provides for joint control of such economic problems in the field, and (3) since we told the British representatives at the beginning of the Conference August 12 here in Washington that we wished to secure immediate agreement on the Management Plan and the US/UK Control Group and start putting the Management Plan into effect even while the rest of the coal production problem talks continued here, we cannot agree to further delay.

In answer to Mr. Bevin's position that we should transfer the Management to the Germans first then proceed with the discussion on the amendments to the Fusion Agreement, and only after that discuss the precise composition of the US/UK Control Group, I pointed out (a) that we cannot agree to implementing the Management Plan for even an interim period under the direction of the North German Coal Control, (b) that the British assumption that they would gain some bargaining position by retaining the North German Coal Control until the financial talks begin will react against them, (c) that if there is to be a blow-up concerning the composition of the US/UK Control Group, we prefer to have it now rather than postpone it for the subsequent financial discussions, and (3) that if we are forced to wind up this Coal Conference with no agreed report and recommendations to our Governments, the public reaction will adversely affect the possibility of increasing the U.S. financial burden in Germany.

I pointed out to Ambassador Douglas that we propose to close the coal talks tomorrow either with or without an agreement. With an agreement if (1) the Management Plan is agreed in principle and (2) the US/UK Control Group, either with single or dual chairmanship, is approved for immediate implementation. If single chairmanship is agreed upon it would have to be understood that the chairman would be an American, but that we are perfectly agreeable to have dual chairmanship with responsibilities alternating between the British and U.S. chairman.

2. We propose that we should set a deadline of not more than 3 or 4 days for the Benelux countries to make their views known concerning the Management Plan. After that time we insist that we should instruct the Theater Commanders to start implementing the Management Plan immediately.

3. Under any circumstances we propose to announce agreement in principle on the Management Plan and specific agreement on the US/UK Control Group being put into effect immediately at the close of the Conference tomorrow.

Ambassador Douglas repeated the position and stated that he fully understood and agreed with it, and that he had an appointment with

⁸¹ *Ante*, p. 940.

Mr. Bevin within the next fifteen minutes and would plainly state our position to him and notify us of the outcome as soon as possible.⁸²

862.6362/8-448

*The Assistant Secretary of State for Economic Affairs (Thorp) and the British Political Adviser in Germany (Strang) to the Government of the United States and the Government of the United Kingdom*⁸³

CONFIDENTIAL

REPORT ON THE ANGLO-AMERICAN TALKS ON RUHR COAL PRODUCTION

1. Arising out of an invitation conveyed to Mr. Attlee on 30th June 1947 by the United States Ambassador in London, H.M. Government in the United Kingdom agreed to discussions at the official level in Washington on technical problems connected with increased coal production in the Ruhr and neighboring mining areas in Germany.

⁸² In his telegram 4869, September 8, from London, not printed, Ambassador Douglas reported that he had explained the American position to Foreign Secretary Bevin on the basis of this conversation with Stillwell. Douglas' report read in part as follows:

"Bevin had first said that he could not agree in detail to the establishment of the US-UK control group. He felt that it was a proposal which had been suddenly sprung on him without adequate information as to its organization or the functions that the individual members would perform. Moreover, he said he felt that it was an evidence of distrust as to his willingness, at a subsequent date, to establish such a group in light of the trends indicated by the negotiations covering the revision of the fusion agreement, and besides, he felt that we were proposing dealing with the Benelux countries, with whom he had to do business continually, in a generally cavalier and abrupt manner."

Douglas concluded his report with the judgment that Bevin would agree to the terms of the German coal management plan if more time were given for consultation with France, Belgium, the Netherlands, and Luxembourg. (840.50 Recovery/9-847)

⁸³ The source text is an unsigned copy. In a letter to General Clay, dated September 18, 1947, Secretary of the Army Royall wrote as follows:

"As you already know, the Anglo-American Talks on Ruhr Coal Production concluded on 10 September 1947. On that date Sir William Strang, representing the United Kingdom, and Assistant Secretary of State Willard L. Thorp, representing the U.S., signed a confidential letter addressed to their respective Governments and also a joint report embodying a review of the problem and specific recommendations.

"On 17 September 1947, the Under Secretary of State, Robert A. Lovett, wrote to me enclosing all of the pertinent papers referred to above and stated 'the Department of State is in agreement with the recommendations made in these documents.'

"I am therefore forwarding the report, the confidential letter, certain working party reports referred to in that letter, and a copy of the communication I have received from the Department of State. These papers are sent to you for your guidance and implementation since the Department of the Army is in accord with these recommendations." (862.6362/9-1847)

2. The conversations began in Washington on 12th August with a Plenary Session. They were continued by way of executive sessions and working parties. A list of the members of the two delegations and their advisers is attached as an annex to this letter.⁸⁴

3. A joint report⁸⁵ embodying our review of the problem and our recommendations was approved at the final plenary session on [10] September 1947. We now beg to submit this report to the Governments of the United States and United Kingdom.

4. In submitting this report, we have felt that our recommendations should exclude matters of detail and any questions which might not be held fully to come within our terms of reference.

5. There are, however, certain subjects on which we feel that more detailed information would be useful. We accordingly have the honor to enclose copies of two Working Party Reports on Housing and Mine Supplies,⁸⁶ with which we agree and which we have used in formulating our recommendations.

6. We would also draw your attention to the recommendations on Food contained in our report. These are confined to proposals in regard to the rationing system, a statement of the importance of maximizing indigenous collections, with certain proposals as to how this should be done, and a suggestion that the Rhine ports should be used for the unloading of inward food shipments as an insurance against a repetition of last year's distributional breakdowns. We have not, however, included in the report any recommendations in regard to food imports needed, which are such a vital factor in the general food supply position.

7. It is in our view essential that the maximum quantities of grain within the approved program be shipped into Germany particularly during the coming months. In view of the present world grain situation it is our opinion that foods other than grains must also be purchased in much greater quantities than heretofore even to ensure that the present ration of 1550 calories is fully met. It must be recognized that our ability to maintain or improve present ration scales depends upon our being able to build up adequate stocks in Germany by the winter in preparation for the time when indigenous resources will have been largely exhausted and the maintenance of ration scales will therefore be dependent upon imported supplies.

⁸⁴ The list of delegations is not printed here. A brief listing is included in the memorandum by Bolton, September 22, 1947, *infra*.

⁸⁵ For the text of the joint report, which was released to the press in Washington and London on September 10, 1947, see Department of State *Bulletin*, September 21, 1947, pp. 576-584. A portion of the recommendations contained in the report is also printed in *Documents on International Affairs, 1947-1948*, pp. 622-623.

⁸⁶ Neither printed.

8. In considering the German food problem, we have had the advantage of a working party report prepared by experts which we have the honor to submit to you herewith. That report rightly points out that the problem of food for the Ruhr is inseparable from the wider problem of food for the whole bizonal area. It further draws attention to the deterioration in the world supply position that has taken place during the past few weeks and makes certain proposals in regard to the types and quantities of foodstuffs which should be procured to meet both the 1550 and the 1800 calorie ration scales. It also makes certain recommendations in regard to the relaxation of the present machinery of procurement in respect both of purchases undertaken by the two Zone Commanders and by external procurement agencies. Although certain recommendations of the experts' report may fall outside the scope of the coal talks, we are firmly convinced that the food problem of Germany must be solved or all other efforts to improve coal production will be of no avail. A satisfactory solution can only be achieved if the measures recommended in the experts' report, or others of an equally effective nature, are carried out immediately and we recommend that they be brought without delay to the notice of the competent authorities of the two Governments. It is recognized that financial considerations are also involved which must be given immediate attention if these urgent supply recommendations are to be carried out.

9. We have been impressed in our studies of the various aspects of present German economic life which affect coal output, by the serious adverse effect of the lack of confidence in the Reichsmark. We have shown the important part played by food in coal production and, in the food supply position generally, by the collection of indigenous foodstuffs. We recognize however that the greatest deterrent to the farmer in delivering up his produce is that the money he receives for his crops cannot be spent on consumer goods and the uncertainty which he feels in regard to its future purchasing power. This uncertainty in regard to the value of the currency, coupled with the scarcity of goods, reduces the inducement to work, and has led to the necessity of such measures as miners' incentives schemes. Moreover, the present price structure in Germany is out of line both internally and in relation to world price levels. Finally, the ceiling which has been imposed on price and wage levels has removed from the trade unions their long recognized right to engage in collective bargaining.

None of these evils can be eliminated without the introduction of measures of financial reform which will have as their objective not only the reduction of money in circulation, but also a price adjustment including an exchange value for the Reichsmark.

We accordingly recommend that immediate consideration should be given to the adoption of the necessary corrective measures.

10. Finally, we would like to emphasize once again the vital importance of an early solution of the German transport problem. Unless such a solution can be found, there will be a serious setback not only to German recovery, but to the plans now under consideration in Paris for the recovery of Western Europe as a whole.

SEPTEMBER [10], 1947.

[WILLIAM STRANG]
[WILLARD THORP]

862.6362/9-2247

*Memorandum by Kenyon C. Bolton of the Division of International Conferences*⁸⁷

[Extracts]

[WASHINGTON,] September 22, 1947.

Subject: Report—Anglo-American Conversations Regarding German Coal Production, Washington, D.C., August 12–September 10, 1947.

The subject conversations convened in the Division of International Conferences' Suite at 10:30 a.m., August 12, the date and scope having previously been agreed upon by the two Governments concerned. It took three weeks to arrive at such an agreement because of dickerings about what the agenda should include. The United States insisted that the conversations be limited to topics directly related to coal.

The British, on the other hand, maintained that such talks would amount to discussing the problem in a vacuum. They believed that any decisions such as increasing food rations for the underfed miners or buying new coal machinery eventually will involve financial matters which in turn bring up Britain's worsening dollar shortage.

This was countered with claims that prolonged argument over such controversial questions as socialization of the Ruhr mines would delay hopes of increasing vitally needed coal production and might catch Europe short of fuel again this winter.

Both Governments agree that more German coal is urgently needed to revive European industries. They differ on how the Ruhr Valley coal funds should be administered, however. The British insist that the Ruhr fields be nationalized; the United States holds they would

⁸⁷ Bolton served as the Coordinating Secretary of the United States Delegation to the subject conversations.

operate more efficiently if German executives and miners with "know-how" were returned to the job.

France interfered as much as possible before the plenary meeting because she wanted a "say" in the Ruhr questions. She objected to the Anglo-American desires for an increase in German steel production, fearing this would be a first step in rebuilding Germany's military potential. France has been assured by Secretary Marshall that the French will be consulted before any decision is reached. The Paris Government was not represented at the subject conversations.

No agenda had been agreed upon since both Governments decided to keep the conversations as informal as possible, with emphasis on results instead of protocol. There are certain specific problems which kept coming up. They included:

- (1) Inability to maintain the special 4,000-calorie daily food ration awarded German miners;
- (2) Transportation breakdowns in Germany and elsewhere;
- (3) Poor living quarters for miners and their families;
- (4) The necessity for revising management of the mines;
- (5) Lack of modern mining equipment.

Forty-seven United States representatives from the Treasury, Commerce, Agriculture, Interior, State and War Departments attended the August 12 opening session. Eighteen British representatives were present.

THE FOLLOWING IS A LIST OF PARTICIPANTS AT THE OPENING SESSION

UNITED KINGDOM

Chairman:

Sir William Strang, Political Adviser to the Commander in Chief, Germany

Delegates:

Sir Mark Turner, Economic Adviser on German Economic Matters to the Foreign Office

D. L. Anderson, Vice-President, Economic Subcommission of the Control Commission for Germany (British Element)

F. H. Harrison, Chief of Fuel and Power Division of the Control Commission for Germany (British Element)

H. E. Collins, Senior Director of the Production Branch of the North German Coal Control

A. G. Gilchrist, Foreign Office, Secretary of the Delegation

J. H. Penson, British Embassy

UNITED STATES

Chairman:

Willard L. Thorp, Assistant Secretary of State for Economic Affairs

Delegates:

Kenneth C. Royall, Secretary of War

Major General W. H. Draper, Economic Adviser to the Commander in Chief, European Command

Charles E. Saltzman, Assistant Secretary of State for Occupied Areas (Designate)

Max Forester, Chief, Coal Section of Economics Division, European Command

C. Tyler Wood, Deputy to the Assistant Secretary of State for Economic Affairs

James A. Stillwell, Special Assistant to the Under Secretary of State for Economic Affairs

CONGRESSIONAL REPRESENTATION

A member of the United States Congress requested representation on the United States delegation. The request was received only two days before the arrival of the British delegation from London. Because of this fact, it was felt that to have Congressional representation at the conversations would place the British delegation in an embarrassing, unbalanced and difficult position. An explanation of this was written to the Congressional member, and he was informed that information and reports of the conversations would be available to him.

MEETINGS

Following the August 12 opening session at 1778 Pennsylvania Avenue, all meetings were held in the New and Old State Buildings and at the Pentagon. There were many Executive Sessions and a goodly number of small working group discussions. Progress in all groups was very slow, and there was throughout a note of stubbornness and withholding.

RESULTS OF THE CONVERSATIONS

After weeks of discussion an agreement was arrived at with the signing of the report on September 10 at 12:20 by Sir William Strang and Mr. Willard L. Thorp.⁸⁸ The report and recommendations con-

⁸⁸ See *ante*, p. 959.

tained only the vaguest reference to the controversial question of ownership of the Ruhr mines and this Government's insistence that British socialization schemes be shelved as long as coal production remained a problem.

The Ruhr's coal mines will be returned to German management and administration as part of the agreement to boost output. The agreement recommends to the two governments that a German Coal Management be established as quickly as possible in the hope that German miners will produce more coal if they are working under German direction.

The new management will be responsible to the American and British governments for the efficient operation of the industry, and will be supervised by a joint American-British Control Group acting for the military commanders. This will give the United States for the first time an equal share in the over-all direction of Ruhr coal mining.

Not only will Germans have direct responsibility for managing their mines, but a new department, equivalent to a ministry of coal, will be set up in the German Bizonal Economic Council to administer the Mining Industry. The change in management and control is only one of many recommendations made by the experts, all of them aimed at getting more Ruhr coal out of the ground and making more of it available for German and European recovery.

The recommendations show clearly, however, that no simple magic formula could be found to produce more coal. Food, transport, housing and a host of related questions were considered by the negotiators, but many of them were left for later settlement.

The conversations recommended, for example, that larger stocks of food be built up and left in the large cities and the mining towns than elsewhere in the combined zones. It also insisted that the present rations be met functionally [*sic*] with gradual increases provided first of all in the cities, where the people cannot get as much "off-ration" fruit and vegetables as in the farming areas.

The conversations also recommended much stricter penalties and inspection of the farming areas to compel farmers to send their food to the cities.

"We have considered", the report says, "how far German production could be increased by the introduction into the Ruhr of American mining machinery. After taking expert advice we have reached the conclusion that, having regard to the natural conditions in the Ruhr coal field, the methods so successfully employed in the mining of coal in the United States are not immediately applicable."

However, the report urged that American coal experts make an engineering study of the Ruhr mines as soon as possible, in the hope

that American technical experience might be useful in the Ruhr at some later time.

The conversations did not pretend to reach a decision on the issue of nationalization versus private ownership in the Ruhr mines. The recent United States directive to General Clay,⁸⁹ the United States Commander, instructed him not to interfere with socialization if the Germans showed by democratic methods that they wanted it. It left him free, however, to preach the advantages of free enterprise, which he has been instructed to do vigorously during the past year.

This formula may be the basis of eventual American-British agreement at what are called "higher-levels". In other words, the two governments may agree not to obstruct socialization if the Germans want it, although the British propaganda agencies in Germany might urge a socialist solution and the Americans the reverse.

Considerable numbers of recommendations were made by the conversations in addition to those mentioned. They are too numerous to mention, but to summarize the talks briefly, the conversations urged both zone commanders to work out a long-term program for rehabilitating the German coal industry; to start a detailed study of the transport problem in the bizonal area; to consider an immediate increase in coal prices, and to make greater use of German resources for recovery.

The conversations were in the form of recommendations submitted to the respective governments and there is no reason why they should not be given effect as soon as possible. Actually, the program will be turned over to the respective zone commanders for early execution.

862.6362/9-1747 : Telegram

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

SECRET

WASHINGTON, September 26, 1947—6 p.m.

4178. For the Ambassador. While Coal Conference approved in principle provisional agreement previously reached by US and UK Mil Govts on establishment of German Coal Management under US/UK Control Group, implementation delayed pending completion consultations with Benelux and France on management proposals, including provisions for protection foreign owners (reurtel 5023, Sept 17⁹⁰).

Dept wd appreciate info on status Brit consultations Benelux, and request you urge on FonOf prompt conclusion such consultations so

⁸⁹ The reference here is presumably to the Directive to the Commander in Chief of United States Forces of Occupation Regarding the Military Government of Germany, J.C.S. 1779, July 11, 1947, *Germany 1947-1949*, pp. 34-41.

⁹⁰ Not printed.

that management proposal may be implemented. Except for Neth note of Sept 9⁹¹ criticizing German coal managers powers as undue concentration of authority and objecting to inability allied owners to appoint managers to own properties, Dept has received only general protest from Luxembourg as well as France regarding application socialization, decartellization, deconcentration, etc. measures to foreign-owned mines in Germany.⁹²

Fr presented note Sept 17⁹³ protesting against US/UK coal management proposals on ground they wd (1) dispose US and UK unfavorably toward eventual adoption definitive settlement in accordance with Fr ideas and involving Allied direction and closer international control of mines, (2) create powerful German organization with means to exert considerable economic pressure, (3) mean further relaxation of Allied controls over distribution of coal, (4) impair property rights of foreign mine owners by subordinating them to German management, and (5) deprive foreign owners (including Saar owners) of right of representation when they jointly but not individually hold at least 51 percent beneficial interest. Fr note also protests against Brit practice since June 1947 of characterizing as interest-bearing loans the subventions paid from zonal budget to mines covering difference between cost of production and sales prices of coal and against application of projected Brit zone land reform law to land holdings of foreign owners of mines.

Dept inclined to reply that (1) coal production can be maximized in interest of Europe only if full responsibility for production entrusted to Germans under US/UK supervision and policy direction, (2) single German management for all mines in Ruhr-Aachen area desired because necessary to have one agency to draw up and implement production plans for industry and take necessary steps before occupying authorities and German authority to insure requirements of materials, manpower, etc. for industry are met, (3) inclusion of foreign-owned mines in German management scheme essential to development and implementation industry production plans, (4) foreign owners suffer no discrimination under scheme and will in any event have right of appeal if convinced their rights unfairly impaired, (5) occupying authorities will retain control and resort to inspection

⁹¹ Not printed.

⁹² A memorandum setting forth the views of the French, Belgian, and Luxembourg industrialists concerning the control and treatment of certain coal mines in the British zone of occupation in Germany was transmitted to the Department of State in notes from the Luxembourg Minister dated August 28, from the French Ambassador dated August 29, and from the Belgian Embassy dated September 9, none printed (862.6362/8-2847, 862.6362/8-2947 and 862.6362/9-947).

⁹³ Not printed (862.6362/9-1747). On September 26, the Department of State received a note from the Belgian Embassy objecting to aspects of the proposed German coal management plan (862.6362/9-2647).

to hold Germans to proper discharge their responsibilities, and (6) German management of industry fully compatible with international control over disposition of output. Will indicate willingness, subject to concurrence of OMGUS, to have group of owners representing together at least 51 percent beneficial interest in mining property appoint representatives to such property. Regarding Neth request to name managers to foreign-owned mines Dept might consider, subject to approval by OMGUS, nomination of managers by foreign-owners with final designation by German general manager with understanding such foreign managers subordinated to overall direction German general manager.

Pls discuss outlined replies with Brit who presumably have received similar notes since important replies be along similar lines.⁹⁴

Copy coal conference report being dispatched to you.

LOVETT

Editorial Note

The United States-United Kingdom discussions to review the financial provisions of the Bizonal Fusion Agreement of December 2, 1946, were held in Washington between October 8 and December 17, 1947. The United States Delegation was initially under the chairmanship of the Assistant Secretary of State for Occupied Areas, Charles E. Saltzman, and subsequently Assistant Secretary of State Willard Thorp assumed the chairmanship. The United States Delegation included Ambassador Murphy, Under Secretary of the Army William H. Draper, Jr., Assistant Secretary of the Army Gordon Gray, General Clay, and Frank A. Southard, Jr., Director of the Office of International Finance of the Treasury Department. The British Delegation under the chairmanship of Sir William Strang, Political Adviser to the Commander in Chief of British Forces of Occupation in Germany, included Sir Mark Turner, Principal Adviser on German Economic Affairs to the British Foreign Office, Sir Gordon Munro, Financial Minister at the British Embassy and Head of the United Kingdom Treasury Delegation in Washington, J. H. Penson, Advisor on German Economic Affairs at the British Embassy, Major General N. C. D. Brownjohn, Deputy Chief of Staff (Policy), Control Commission for Germany (British Element), D. L. Anderson, Vice President, Economic Subcommission, Control Commission for Germany (British Element), and Patrick H. Dean, Head, German Political Department,

⁹⁴ Negotiations between the United States and United Kingdom Governments regarding a common reply to be made to the French, Belgian, Netherlands, and Luxembourg Governments were carried on during October and early November and eventuated in the memorandum of November 14, 1947, p. 972.

British Foreign Office. Discussions between the two delegations were intermittent rather than continuous. Formal plenary meetings were held on October 8, 11, 14, and December 17, 1947. Informal meetings were held on October 23, 24, November 1, 7, 14, 19, 20, 24, 28, 30, and December 9, 1947. On December 17, 1947, Acting Secretary of State Robert Lovett and Sir William Strang signed an agreement revising and extending the Bizonal Fusion Agreement of December 2, 1946; for the text of the new agreement and a general summary of the agreement issued to the press on December 17, see *Germany 1947-1949*, pages 453-460 or Department of State *Bulletin*, December 28, 1947, pages 1262-1267. Agreed records of the four formal plenary meetings (document designation CRF-M), the United States Delegation records of the informal meetings (document designation CRF/USDel-M), and conference documents (document designation CRF-D) are included in CFM Files, Lot M-88, Box 85. An incomplete set of these papers is also included in the Department's Central Files under file 740.00119 Control (Germany)/10-1047.

740.00119 Control (Germany)/10-2747 : Telegram

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

TOP SECRET
URGENT

LONDON, October 27, 1947—5 p.m.

5721. For Secretary and Lovett from the Ambassador. At meeting this a.m., necessarily short because of conditions explained in Embtels 5719, October 27 and 5720, October 27,⁹⁵ Bevin discussed our request (as reported to him from Washington) relative renegotiation of the fusion agreement that British make written commitment that British troops be retained in Germany until July 1, 1948. He urged that no formal written commitment be required and gave the following reasons:

1. The British Government has no intention whatsoever to withdraw British troops below the figure given to us during the period in question, provided US assumes the UK dollar expenditures on account of Germany. This commitment orally has been given to the US before. He reiterated it to me again today.

2. The announcement of a date would imply that the British Government might be considering withdrawing troops thereafter. It would probably, therefore, give rise to questions in the House of Commons, principally from the left wing, which might otherwise not arise. The questions would presumably be directed toward why, as July first

⁹⁵ Neither printed. These messages were not concerned with German affairs.

approaches, no plans were being made for the withdrawal of British forces—an action which the British Government does not contemplate and on which it wants to avoid debate.

3. No dates have been publicly fixed for withdrawal of troops from other identified specific areas. Were a date to be fixed for Germany, questions might be directed toward dates of withdrawals for other areas.

4. The fixing of a date might prove to be embarrassing if, as Bevin considers not impossible, the Soviets at the forthcoming CFM meeting were to propose the withdrawal of all occupation forces from Germany.

5. Any plan of the British Government to withdraw or reduce the strength of the British forces of occupation in Germany would be made to the US Government at the time that a renewal of the fusion agreement beyond July 1, 1948 was under negotiation. Even then such a proposal would be put forward well in advance, in time for ample mutual consideration.

Unless General Clay has reasons for doing otherwise, it seems to me, in view of the above considerations and the oral commitment, it would be preferable to accept Bevin's position.

Bevin asks that no publicity be given to the reasons which he has advanced.

Sent Dept 5721; repeated Berlin for Murphy and Clay 460.

DOUGLAS

740.00119 Control (Germany)/10-2747: Telegram

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

TOP SECRET

WASHINGTON, October 28, 1947—6 p.m.

4611. For the Ambassador from Lovett. There appears to be some misunderstanding regarding nature request which Bevin discussed with you reurtel 5721, Oct. 27.⁹⁶ This Govt has not requested a written commitment from Brit with regard to a date for withdrawal of Brit troops from Germany. It is my understanding that Gen Clay made an informal inquiry of Brit negotiators here in order that he could say if questioned by Congress that he had information Brit troops would remain at least until July 1, 1948. This inquiry was wholly private.

We confidently expect that Brit troops will remain in Germany until such a time when the two Govts will have had an opportunity to review their future policy with respect to Germany and to decide upon this issue itself and not as part of any other problem.

LOVETT

⁹⁶ *Supra.*

740.00119 Control (Germany)/10-3047: Telegram

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

SECRET
URGENT

LONDON, October 30, 1947—7 p.m.

5805. For Lovett from the Ambassador. As explained in Embtel 5721, October 27;⁹⁷ repeated Berlin (for Murphy and Clay) 460, October 27 and Embtel 5788, October 30;⁹⁸ repeated Berlin (for Murphy and Clay) 464, October 30, Bevin is particularly anxious that in any Congressional hearing, or in any publicity in the US in regard to the British forces of occupation in Germany, no period be defined in which such forces are to be retained. In answer to any question which may be put by any member of the committees of Congress on this subject, Bevin suggests the following language:

"There is no question of the withdrawal of the British troops in Germany, nor will there be, so long as no difficulties arise regarding the dollar position and there is no withdrawal of United States forces, neither of which contingencies are anticipated, and in any case before there has been a consultation between the two governments regarding our mutual policy towards Germany."⁹⁹

He hopes that no question will be put, or that if it is put, it will not be necessary to make a public answer. In the event, however, that it becomes necessary for us to make a statement before a Congressional Committee, the language quoted above he hopes will be used by us.

Is the language suggested by Bevin acceptable?¹

Sent Department 5805; repeated Berlin (for Murphy and Clay) 466.

DOUGLAS

862.6362/9-1747

*The Secretary of State to the French Ambassador (Bonnet)*²

The Secretary of State presents his compliments to His Excellency the Ambassador of France and has the honor to transmit herewith a memorandum setting forth the views of the United States Govern-

⁹⁷ *Ante*, p. 969.

⁹⁸ Not printed.

⁹⁹ Telegram 6169, November 24, from London, not printed, reported that Foreign Secretary Bevin had suggested the following revised language which would be used only if absolutely necessary:

"There is no question of the withdrawal of British forces from Germany, nor will these forces be withdrawn before there has been consultation between the Governments of the United States and the United Kingdom regarding their policy towards Germany." (740.00119 Control (Germany)/11-2447)

¹ Telegram 3483, November 1, from Berlin, not printed, commented that both Clay and Murphy saw no objection to the formula proposed by the British if accompanied by oral assurances (740.00119 Control (Germany)/11-147).

² The Secretary of State addressed notes similar to this to the Belgian and Netherlands Ambassadors and the Luxembourg Minister.

ment on the observations of the French Government, communicated in the Ambassador's note, No. 310, dated September 17, 1947,³ on the Anglo-American plan to establish a German Coal Management for the coal mines in the Ruhr-Aachen area.

The United States Government wishes to state that, notwithstanding the terms of paragraph 8 of the enclosed memorandum, sympathetic consideration will be given to the possibility of making special arrangements for the Karl Alexander mine.

It is understood that an identical memorandum is being addressed to the French Government by the British Government.

WASHINGTON, November 14.

[Enclosure]

MEMORANDUM ⁴

In consultation with the British Government, the United States Government has given careful consideration to the views expressed by the French, Belgian, Luxembourg and Netherlands Governments ⁵ on the plan for the management of the German coal mines in the Anglo-American Zone of Germany, the text of which was communicated to the representatives in London of these four governments on August 28th last.

2. The observations of all four governments covered two main points

- (a) The general question of the advisability of handing over the management of the mines to a German coal management; and
- (b) the particular question of the effect on foreign-owned mines of putting into force of the coal management plan.

3. On the first point the four governments expressed a view that an undesirable concentration of economic power would be placed in German hands. This power might subsequently be abused by Germany to the detriment of other European countries and to the prejudice of European security. It was argued that although the coal management plan was only of a provisional character, its acceptance and implementation would inevitably prejudice any later and more permanent arrangement which might subsequently be found desirable. In par-

³ Not printed; for a brief summary, see telegram 4178, September 26, to London, p. 966.

⁴ Copies of this memorandum were also transmitted to the Belgian and Netherlands Ambassadors and to the Luxembourg Minister.

⁵ The views of the Belgian Government were transmitted in the Belgian Ambassador's note of September 26, those of the Luxembourg Government were transmitted in the Luxembourg Minister's note of October 3, and those of the Netherlands Government in the Netherlands Ambassador's note of September 9, none printed (862.6362/9-2647, /10-347, and /9-947).

ticular, the adoption of the coal management plan would make it difficult subsequently to impose measures of international control over the industries of the Ruhr-Aachen area and their output, such as have been recommended at various times by certain of the four governments.

4. In reply the United States Government wishes to draw attention to the very considerable powers reserved under the plan for the United States-United Kingdom control group. This group, which is directly responsible to the two Military Governors for the implementation of the plan, will closely supervise the latter's operation and will have the duty of ensuring that the Germans properly discharge their responsibilities under the plan. The control group will have general powers to inspect all mine properties. The control group will issue directives to the German General Director on all questions concerning the export of coal and will also be empowered to issue directives on behalf of the United States-United Kingdom Military Government on any other appropriate subject. It will also have a general power of veto over the decisions of the German Coal Management. Insofar as the levels of wages and of internal selling prices are concerned these are matters which will not come within the competence of the German General Director.

5. In these circumstances the United States Government does not agree that undue power is being handed over to the Germans, nor that the latter will be placed in a position to be able to make use of their powers to the detriment of non-German interests. The United States Government feels confident that the powers entrusted to the United States-United Kingdom control group will enable them to prevent discrimination in any way against foreign interests. In any event, in any cases where discrimination against non-German interests is discovered or suspected, it will always be open for the Government concerned to take the matter up with the United States-United Kingdom Military Government, or in matters of minor importance with the United States-United Kingdom control group, in order that the Anglo-American authorities may, should the circumstances warrant it, take appropriate action with the German authorities. It is suggested that should foreign governments wish to make any communication to the United States-United Kingdom control group the most suitable procedure would be for the communication to be made through the Liaison Officers at present attached to the North German Coal Control at Essen, who, it is contemplated, will continue to function in a similar capacity with the United States-United Kingdom control group when the coal management plan is put into effect.

6. The United States Government does not feel that this plan for the handing over of the actual management of the mines to a German organization, coupled as it is with the retention of very considerable powers in the hands of the United States-United Kingdom control group, will prejudice the position should it be agreed at a later date that some form of international control should be set up to regulate the Ruhr industries and their output. German management of the mines would not in itself seem to be incompatible with overall international control and should it subsequently be agreed that some such international control should be established, the United States Government would certainly for its part not be deterred from proceeding with such a scheme by the fact that the management of the mines was in German hands.

7. As regards the second question raised by the four governments—i.e. the position of Allied-owned mines under the plan—it should be pointed out in the first place that the suggestion made in the last section of the Allied industrialists' memorandum to which reference was made by some of the Governments, that the Allied-owned mines (especially those in the Aachen area) should be excluded from the coal management plan and subjected to a special regime, is not practicable. Apart from any other considerations, it is considered essential if coal production is to be maximized and the German coal industry organized on the most efficient basis that there should be a single managing agency for the whole of the combined zone. Only in this way can overall plans for raising production and for ensuring that requirements of materials, manpower, etc. are met be properly drawn up and implemented. The inclusion of the foreign-owned mines in the management scheme is therefore essential.

8. The United States Government is, however, fully conscious of the importance which the four governments attach to the protection of the interests of their nationals in certain of the mines and in the light of the representations which have been made to them have reconsidered the provisions set out in paragraph 10 of the draft coal management plan. The United States Government is now prepared to agree that in the case of individual or collective majority holdings (51 per cent interest or more) a manager selected by the foreign company or companies concerned and sponsored by the interested government or governments may be appointed, with the approval of the United States-United Kingdom Military Government, to the mine or mines in question. It would be understood that these managers would comply with any regulations that might be laid down by the United States-United Kingdom control group for the operation of the mine as a whole and that their powers would not be such as to effect the author-

ity of the control group or the German coal management. In particular, it would be incumbent upon the foreign managers to carry out any measures laid down in fulfillment of the policy of the United States-United Kingdom Military Government of maximizing coal output.

9. Although the foreign managers would thus be subordinate to the overall directions of the German coal management they would always have the right in any case where they considered that the interests which they represent are being prejudiced by the German coal management to appeal to the United States-United Kingdom control group—through the appropriate Liaison Officer as suggested at the end of paragraph 5 above.

If the German coal management wish to complain against any foreign manager they will be required to make their representations to the United States-United Kingdom control group which will in the first instance approach the Allied Liaison Officer concerned before taking any action on the complaint. Should it be felt necessary to take any steps vis-à-vis the foreign manager on account of this complaint, this action will be initialed by the United States-United Kingdom control group and not by the German management.

10. As far as minority holdings in the mines are concerned, the United States Government feels that these should be adequately protected by the Allied Liaison Officers already referred to who will be in daily contact with the United States-United Kingdom control group. The United States Government is, however, prepared to consider sympathetically any applications which may be made on behalf of substantial Allied minority holdings (individual and collective) for the appointment of special representatives to supervise their interests; such representatives would not, however, possess managerial powers.

11. In the case of all collective holdings, whether majority or minority, it would be necessary for the various parties concerned to agree upon a manager or representative as the case may be and to arrange for him to be sponsored by the Allied government or governments concerned. There is no reason why the managers or representatives should not be Allied nationals.

12. Various proposals were put forward by some of the governments which would have the effect of making available to an Allied government the production of the coal mines in the Ruhr-Aachen area owned by its nationals. Such a proposal is not, however, practicable at the present time. In the first place, as the four governments are aware, the total quantity of German coal available for export to European countries (except Austria), is declared to the E.C.O. for allocation recommendations in accordance with the principles established by that organization. In the second place any such arrangement would make

it difficult to make the most economic use of the limited transport at present available and would therefore tend seriously to prejudice deliveries of all coal exports from the Ruhr.

13. The United States Government trusts that the above-mentioned modifications to Article 10 of the plan will be agreeable to the four governments and that the latter's apprehensions regarding the plan in general and its effects on the interests of their nationals in particular will have been removed by the above explanations.

14. Both the United States Government and the British Government are convinced that the maximum output of German coal, so vitally needed for the recovery of Europe as a whole, can only be attained if responsibility for the overall management of the mines is entrusted to the Germans—subject always to the supervision of the United States-United Kingdom Military Government and to the direction of the latter in policy matters. They feel that any further delay in putting the coal management plan into effect will have an unfortunate effect on German opinion and react unfavorably on coal production. They have, therefore, decided that they must put the plan, modified as indicated in paragraphs 8-11 above, into operation in the very near future. The date on which the plan will actually be put into effect will be notified to the four governments as soon as possible. The United States Government will always be glad to provide these governments with additional information about the plan that they may wish to receive.

WASHINGTON, November 14, 1947.

Editorial Note

As its 18th Meeting, November 11, 1947, the Bipartite Board approved a series of measures for the transfer to German hands of the responsibility for coal production and distribution and the general administration of the coal industry in the United States and United Kingdom zones of occupation in Germany. These measures, carried out in accordance with document BIP/P(47) 79, July 16, 1947, page 940, and the Report of the Anglo-American Talks on Ruhr Coal Production, September 10, 1947, page 959, provided for the establishment in Essen of a German Coal Management (Deutsche Kohlen Bergbau Leitung) subject to the authority of the Bipartite Control Office through the medium of a UK/US Bipartite Control Group also located in Essen. The measures approved by the Bipartite Board included directives to the German Coal Management and the UK/US Control Group (Appendices A and B to document BISEC/

Memo(47)39, November 17, 1947, not printed) and an ordinance establishing the German Coal Organization (Ordinance No. 19 in the United States Zone and Ordinance No. 112 in the British Zone). At a ceremony in Essen on November 19, 1947, the German coal mining industry was formally turned over to the new German administration headed by Director General Heinrich Kost. For extracts from the joint American-British communiqué, issued in Germany on November 19, 1947, announcing the establishment of the Bipartite Control Group and the German Coal Management Board, see von Oppen, *Documents on Germany*, pages 259-260.

2. Revision of the Level of Industry Plan for the United States-United Kingdom Zones of Occupation; American-British-French Level of Industry Conversations in London, August; Proposals for an Allied Regime for the Ruhr

840.50 Recovery/6-3047: Telegram

The Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, June 30, 1947—11 a.m.

URGENT

1569. Your 1292, June 19.⁶

(1) In estimating the role which western zones Germany, or all of Germany, could play in the next year or two in a program of European rehabilitation, it is timely to inventory briefly the effect which Allied policy as expressed in the Potsdam protocol and elsewhere has exercised. In harmony with Allied desire to eliminate Germany, heretofore the largest element in European production, as a factor in future aggression, blows were struck at the German economy in addition to the physical damage effected by recent hostilities which conflict with the present constructive urge to rehabilitate the European economy.

(2) German territory was reduced at least temporarily to the extent of eliminating an area which produced approximately 23% of the German food supply. This area is being resettled by Poles and Soviet nationals and while it is producing some food for the European economy, undoubtedly it will take years for it to produce the quantities extracted by the efficient German farm population which formerly occupied the area. From that area and from Czechoslovakia and Hungary some nine to ten millions of German nationals and *Volksdeutsche* have been expelled to be absorbed in the shattered German economy which

⁶ Not printed; it summarized telegram 2143, June 12, to Paris, not printed, repeated to Brussels, Rome, and the Hague, asking for comments on certain general and specific matters relating to the formulation of a program of European economic rehabilitation (840.00/6-1947).

was divided into four zones. The vast majority of these expellees are women, children, and the aged, in other words, those of low employable value. Germany is stripped of its external assets including its patents, copyrights, foreign exchange, and foreign trade organization. Germany is also deprived of its merchant marine and the revenue it produced. It is not permitted to operate airlines. Millions of German POW's who comprise many skilled workmen and technicians are still detained abroad, principally in the USSR.

(3) Germany is subjected to a low level-of-industry plan agreed on in March 1946,⁷ the general effect of which is a reduction in the level of industry as a whole which would figure 50 or 55% of the prewar level in 1938 excluding building and building materials industries. That plan includes an important list of industries which are entirely prohibited and a few which will be permitted only until sufficient imports will be possible and can be paid for. Industrial equipment not required to maintain production over this level is subject to reparations. Some of this equipment has been removed from the western zones and a large part of it, of course, has been removed from the eastern zone of occupation. The uncertainty regarding the future of the remaining industrial equipment in the western zones exercises a depressing effect on German initiative and enterprise.

(4) In a loyal US effort to carry out the provisions of the sixth political principle of the Potsdam protocol members of the former Nazi Party were removed on a comprehensive scale from positions of responsibility in important private undertakings and public administration. The application of this policy resulted in the exclusion of millions of persons including those awaiting trial from active participation in the development of the German economy except as ordinary day labor. Germany, of course, has been deprived since the armistice of the energies of a German Government or of German central administration. A large amount of Germany, former Nazi property, has been sequestered and permitted to make little or no contribution to reconstruction. Germany is bankrupt, with no gold reserve, is urgently in need of financial and monetary reform, readjustment of internal prices and a practical foreign exchange rate for the mark.

(5) The foregoing are some of the aspects of the Germany which now wishes to contribute not only to its own rehabilitation, but to that of Europe. As black as the picture may be, Germany, with a population of 66 millions, still can make a contribution. It may do so if it receives the encouragement of constructive Allied policy.

⁷ For the level of industry plan for Germany as approved by the Allied Control Council for Germany in March 1946, see Department of State *Bulletin*, April 14, 1946, pp. 636-641, or Ruhm von Oppen, *Documents on Germany*, pp. 113-118.

(6) We recommend that (1) immediate approval be given to the level-of-industry plan recommended for the US/UK zones of occupation.⁸ This would be supplemented by whatever contribution in this direction the French zone of occupation could make and eventually if the Soviet attitude changes regarding the treatment of Germany as an economic unity by the application of an approved level of industry to the eastern zone of Germany. It is not our opinion that the establishment of such a new level will eliminate the possibility of Allied nations obtaining compensation as contemplated by Article Four of the Potsdam protocol for the loss and suffering which Germany caused the United Nations. Removals of strictly essential war industries and other equipment not necessary for the peace time needs of Germany will be possible, and should constitute a substantial German contribution to European rehabilitation.

(7) Distribution among European nations of food and other commodities in scarce supply raises the question of the appropriate level of German industry as it relates to surrounding countries. German feeding is considerably below the level of surrounding countries and German level of industry is probably 50% below. With foreign assistance now visible, that ratio will probably be constant for years to come.

(8) Germany's principal national asset is the hard coal deposits in the Ruhr-Aachen area. We believe the Department considers as we do that the British approach to the Ruhr-Aachen coal problem has been unsatisfactory. That area, for example, has been producing recently at the rate of approximately 215,000 tons per day as against a hoped-for 275,000 to 300,000 tons. Faulty management and operation, together with other unfavorable features have deprived not only Germany but western European economy of the most important contribution [that?] could be had to rehabilitation. Added to the faults of management and operation, production has been depressed further by the cloud of uncertainty hanging over the future ownership and management of the mines, resulting from a desire to experiment with socialization or nationalization. This uncertainty has deprived the

⁸ On April 18, 1947, during the Fourth Session of the Council of Foreign Ministers in Moscow, Secretary of State Marshall and British Foreign Secretary Bevin agreed that American and British officials in Germany should work out a new level-of-industry plan for Germany which would fix the amount of capital equipment to be retained in Germany and that to be made available as reparation; see telegrams 1469, Delsec 1445 and 1470, Delsec 1446, April 19, from Moscow, pp. 356 and 357. The American-British negotiations on the new plan were carried on in Germany during May and June and were completed at the beginning of July 1947. For the text of the revised level-of-industry plan, subsequently slightly revised and made public on August 29, 1947, see *Germany 1947-1949*, pp. 358-362, Department of State *Bulletin*, September 7, 1947, pp. 468-472, *Documents on International Affairs 1947-1948*, pp. 626-632, or *Ruhm von Oppen, Documents on Germany*, pp. 239-245.

management of the driving incentive to produce, without which it is doubted satisfactory results will be obtained particularly when these are added to all the other unfavorable features affecting labor.

(9) Germany naturally is making a substantial contribution to its own feeding and with additional coal and fertilizer will make a still greater contribution. It requires imports of nitrogen and superphosphates, a heavy tonnage of seed imports and of agricultural machinery and food processing equipment. In our opinion no fertilizer plant should be removed from Germany as reparations, and the remaining plants should be re-activated and their coal requirements supplied.

(10) The German transport system is an essential link in the chain of European recovery. It is deteriorating dangerously due to lack of steel and inability under present food and other unfavorable conditions to maintain repairs to say nothing of the production of urgently needed new equipment, particularly freight cars. Here again are involved the questions of food and coal. When these are more abundantly available, Germany's contribution to the European transport system will be an important factor in rehabilitation.

(11) A review of our denazification program may well result in a return to the German economy of many high grade skills and technicians. Likewise, an earlier return of German POW's now held abroad would also enable Germany to make a greater contribution to European rehabilitation.

(12) If German businessmen were allowed freer contact with businessmen in other European countries, as well as the US, private initiative could make a more effective contribution to European reconstruction. This, of course, should be accompanied by financial reform and more normal access to foreign exchange by German businessmen.

(13) At the present time there is a dollar fence across Europe which in many cases prevents the exchange of the minor quantities of goods and services which are available in Europe. This results from limited funds available to feed Germany and to provide necessary raw material imports. Dollar requirements for trade with Germany when there is a serious shortage of dollars in Europe means the UK is promoting trade in sterling and trying to finance German products with sterling that trade and recovery is stifled. The only way Italy, for example, can benefit from German recovery is through the exchange of Italian products for German products. But Italy has high priced and low calory foods to offer which cannot be purchased because of budget limitations and restriction of purchases to essential items. Holland needs machinery and spare parts and can offer vegetables; the Scandinavian countries want to exchange fish for German products.

The situation relating to our dollar demands for transit charges requires study. Normal trade of this kind should be permitted and encouraged.

(14) Either through appropriated funds or credit arrangements with private banks, governments or government agencies, ways should be found to finance German exports and imports over and above those necessary to meet minimum requirements of disease and unrest. Plans for the economic rehabilitation of Europe should consider this requirement. This may initially cost the occupying powers, and particularly the US, more money, but it should result in savings in the long run. The US is financing many European countries, and it is possible that by incurring increased expenses in Germany it might actually save money in Italy or Austria, for example, so that the total outlay for Europe would be substantially the same.

(15) To make maximum contribution to European recovery attempts would be made to direct Germany's trade into normal channels. Because of our dollar requirements there has been a tendency to shift Germany's trade to dollar areas. With increased appropriated funds or proper credit arrangements Germany can, once again, trade principally with Europe and the Scandinavian countries where it can render most effective aid.

(16) In some cases it will be necessary to sell German products on credit. This [is] particularly true of a few special types of industrial equipment. The most striking example of this is the case of specifically designed electrical generating equipment which was ordered from Germany prior or during the war, but was not delivered. The ordering countries are in need of this equipment. Industrial recovery is being retarded because this equipment is not delivered and put in operation. Because of the dollar requirement, some of the equipment stands idle in Germany.

(17) Of course we believe in the reduction of European trade barriers and feel that Germany should be incorporated in a European liberalized trade area, and if that is not possible at least in a similar European area. German efforts in the past to make Germany the country economically autonomous resulted in industries being encouraged by means of high tariff protection. As a result, Germany's tariffs are out of line with her own requirements and those of her European neighbors. Tariffs were used as a weapon of economic warfare. If Germany is to be fitted again into the economy of European countries, tariff reductions are called for. At present, such reductions would, of course, be little more than a gesture of cooperation, since most imports and exports are priced in terms of dollars and the reichsmark conversion factor is adjusted accordingly. This subject would be for study in

the examinations of the degree of cooperation of Germany, or at least its western zone to be permitted with other countries in international agencies such as ECE, ECO, IARA, ECITO, etc.

(18) Closely related to the problem of the tariff is the problem of deciding which industries in Germany should be encouraged. Care must be exercised so that our export drive does not result in the encouragement of those industries which later on will not be able to exist without subsidies and tariffs.

(19) We should like to hope that as the Soviet Union has assented to participate in European talks regarding the Secretary's suggestions on the subject of European reconstruction, the possibility should not be excluded that the Soviet Union might be willing to make acceptable political and economic concessions in Germany in return for substantial economic aid of which we believe USSR is desperately in need. If the Soviet Union should pursue even a policy of seeking to obtain selfish advantage, opportunity might be afforded to progress toward German economic and political unity and to exact conditions which would lead to the establishment of our form of democracy in Germany and the weakening of the Soviet economic strangle hold it now exercises on the eastern zone of Germany. The unhappy experience of the past ten years in Germany and the present Soviet attitude in Paris⁹ does not fortify that hope. That experience leads to a suspicion that Soviet participation in European reconstruction plans might well be inspired by a desire to sabotage western rehabilitation and to restrain Western European recovery until Soviet economic backwardness is overcome.

(20) I would like add a word regarding a psychological aspect. Germans are like others capable of moments of resentments. Those who have survived the war have experienced two years of vicissitude and hardship part of which was offset by the satisfaction of having survived the war perils. They have been absorbed in the daily struggle to feed, house and clothe themselves. During that period there has been no organized major sabotage of US policy. Continued hopelessness and absence of incentive may at a future point develop passive resistance similar to that of the 1923 period. That would militate against European recovery but if taken in hand in time, fashioned, given encouragement and hope of rehabilitation, the German people are capable of a major contribution to European recovery.

Sent Department as 1569 (please repeat to Moscow as 384), repeated Paris as 264 (please repeat to Brussels as 82 and The Hague as 39), Rome as 3 and London as 236.

MURPHY

⁹ The reference here is to the British-French-Soviet conversations in Paris, June 27-July 2, 1947, on the question of European recovery; for documentation see volume III.

840.50 Recovery/7-1147 : Telegram

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

SECRET

PARIS, July 11, 1947—9 p.m.

URGENT NIACT

2775. For the Secretary and Lovett from Caffery. Under-Secretary Clayton¹⁰ requested me to inform you of our conversation with Bidault. In view of the political importance of some of Bidault's comments I am submitting them in some detail. He said:

1. The task of the Conference of European Cooperation is urgent. A rapid conclusion must be reached if we wish to avoid serious internal as well as external difficulties.

2. As concerns Germany, there should be no question at present of changing the principles now in effect. The US must be aware that the main argument of the Communists is that the US and Great Britain wish to deal with reconstruction of Germany before that of France; and that they wish the French Government to abandon its position on reparations, the Ruhr, and its other German claims. In point of fact French Government has not modified its point of view on these various subjects.

3. Referring particularly to the Ruhr problem, Bidault indicated that no decision should be taken which might prejudice the final status. It was obvious that Ruhr coal is essential for Europe, including Germany. But a change in the Ruhr institutions, a change decided upon separately, would be dangerous and would put the French Government in a difficult position.

4. The French Government was grateful to Mr. Marshall for the position he took during the Moscow Conference regarding the Saar.¹¹ It was necessary, however, that the Franco-Anglo-American letter on coal be applied without delay and that the ECO be notified of the fact that henceforth the coal resources of the Saar and those of France form an entity. The Sarrois would not understand if France did not go ahead in this matter. Bidault urged that the US make a rapid decision on this subject. A proposal is being addressed to the United States, as well as to Great Britain, which seems ready to accept the French suggestions.¹²

¹⁰ Under Secretary of State Clayton was in Paris to advise the Conference on European Economic Cooperation, July 12–September 22, 1947, of the views of the United States on the problems of recovery. For additional documentation on the interest of the United States Government in the Conference, see volume III.

¹¹ The reference here is to the agreement between the United States, the United Kingdom, and France regarding the regulation of coal exports from the western zones of occupation of Germany, the subject of an exchange of letters between Secretary of State Marshall and Foreign Minister Bidault on April 19, 1947, during the Moscow Session of the Council of Foreign Ministers; for the texts of the letters, see pp. 486–488.

¹² The proposal under reference was contained in a French Embassy *aide-mémoire* dated July 11, 1947, not printed. For a review of French proposals regarding the distribution of Saar coal, see the memorandum of conversation by Willis, July 24, 1947, p. 1084. For additional documentation regarding the attitude of the United States on the detachment of the Saar from Germany and its integration into the economy of France, see pp. 1073 ff.

Mr. Clayton, in reply, expressed his admiration for the skillful and rapid manner in which Bidault and Bevin had dealt with the question raised by the Marshall speech.

He agreed that, in the present situation of Europe, speed is a decisive factor in any task to be undertaken, and recalled that the Secretary's suggestion consisted of aiding a group of countries and of putting an end to the policy of dispersed efforts.

He was in agreement with Bidault that the problem presented by the re-establishment of the Ruhr's economy must be settled as soon as possible. It was disastrous that two years after the end of hostilities Ruhr coal production only reached 45 percent of the pre-war level. No economic recovery would be possible as long as the continent was not self-sufficient with respect to coal, and at present Europe must spend about 700 million dollars annually to buy this fuel in the Western Hemisphere. It was therefore essential to re-establish the coal production of the Ruhr and to restore it to the pre-war level in order to cope simultaneously with the needs of Germany, France, and the other European countries. The US was perfectly aware of this situation and its Ambassador in London, Mr. Douglas, has discussed it at length with Mr. Bevin.

The steel question was equally important. Steel is in short supply throughout the entire world and it is consequently necessary to restore the Ruhr production.

As for the Saar, Mr. Clayton could only speak purely personally, the problem was not within his jurisdiction. It was his understanding, however, that the US Government had expressed its sympathy for certain French objectives.

Mr. Clayton then discussed, along the lines of our talk with Ramadier (see my July 11¹³), the Department's diagnosis of Europe's economic situation and possible methods of dealing with the problem.

Bidault then returned to the Ruhr problem. The present situation was far from being satisfactory and the adversaries of the French Government were using this very fact as an argument to attack it, saying: "to assemble a conference at Paris to examine the Marshall proposals amounts to the same thing as abandonment of reparations and modification of the French position as regards the Ruhr". He repeated that this situation was extremely serious and that the French Government must take it into account. France could not be faced with a decision that would upset the definitive settlement of the German question.

The Ruhr coal production must certainly be increased. France can and will help in this. This does not imply, however, that we should settle immediately the problem of fusion of the occupation zones.

Bidault repeated that it was important that the Franco-Anglo-American agreement reached at Moscow on France's coal supply and on the inclusion of Saar resources be applied immediately.

Bidault insisted that, without settling the problem of ownership of the (Ruhr) mines, it would be possible to change the management methods with French participation.

¹³ Not printed here.

Mr. Clayton, making it clear that he was speaking only for himself, said that he not only agreed that the problem of future mine ownership in the Ruhr should not be determined at this time, but that a moratorium on nationalization or socialization plans for a period of five years should prove very beneficial in removing uncertainties now facing the mines management. This move, coupled with other incentives, would stimulate management to increase production.

Bidault summarized his position as follows: The US says that the Ruhr mines must not be nationalized. Great Britain, on the other hand, desires socialization. France demands internationalization. If it is impossible to settle this question now it is at least necessary to improve immediately the management of the mines with participation by France.

Regarding steel, Bidault stated that he wished to avoid any misunderstanding. At Berlin, in March 1946, the Control Council fixed the production at 7 million tons. At Moscow,¹⁴ three delegations spoke of figures reaching ten, eleven, and twelve million tons. The French delegation, on the contrary, asked that the question be examined by a technical commission, so as to determine the real requirements of Germany, allowing for the problem of security, reparations, balance of payments, and charges of the occupying powers.

At present, steel production does not exceed three to four million tons. Bidault, therefore, saw no reason to raise the ceiling fixed in March 1946, since the maximum authorized was far from being reached.

He recalled that France was capable, if it receives sufficient coke from the Ruhr, of increasing its steel production very substantially and of meeting, with the help of Belgium and Luxembourg, all the requirements of western Europe, including German needs. It was essential that no decision raising substantially the German industrial level be taken at present. This decision could lead to the belief that it is desired to restore the German economy before that of the countries Germany attacked.

Mr. Clayton answered it was his personal belief that the dismantling of factories for reparations brings no appreciable gain to the recipient countries. In addition, he thought that the question of the German level of industry must be settled rapidly.

Bidault said he must protest energetically against this point of view; there must be no repetition of the error of Potsdam where German questions were settled without France. To begin the attempt to settle Europe difficulties by abandoning reparations and by raising the level of German industry would have very serious consequences in Europe. No French Government could consent to it. The whole difficult task they had undertaken would be irremediably compromised. Moreover, the German settlement is a matter for the Control Council and for the Council of Foreign Ministers, as Mr. Bevin and he himself recalled in the invitation sent to the European countries.

France does not desire to reduce Germany to misery; it admits that the reconstruction of Germany is an element of European reconstruc-

¹⁴ Regarding the proceedings of the Moscow Session of the Council of Foreign Ministers, March 10-April 24, 1947, see pp. 234 ff.

tion, but it must not take precedence. It is therefore necessary that the dismantling of factories be pursued at an accelerated rate; that France receive a much more substantial share of reparations in equipment and in capital goods. Finally, the problem of the raising of the level of German industry must be reserved for the time being.

Mr. Clayton agreed that the first place in the reconstruction of Europe must not belong to Germany, but it was nevertheless true that Ruhr coal production constituted an essential element of European reconstruction.

Bidault again emphatically argued against any public statement which could lead the French people and Europe to believe that reparations had been abandoned and that the raising of the German economic potential was especially contemplated. If such a declaration were made, he stated that the Conference which is to meet Saturday would be doomed to failure and "there would be no Europe". Nevertheless if you are determined to do some of this, as much as we dislike it, do it without any public announcements.

Mr. Clayton replied that he understood the sentiments of Mr. Bidault, which are those of the French people. He understood them, just as they are understood by the American public. He stated that no one in the US was thinking of reconstructing Europe around a dominant Germany. Nevertheless, it was a fact that the occupation now puts heavy burdens on Allied taxpayers and that measures must be taken to reduce them. That did not mean, however, that first place must be given to Germany in the reconstruction of Europe.

In any case, Mr. Clayton was very glad to know Bidault's reactions; he had noted them and would transmit them to the Secretary.

Bidault, in closing, stated that he wished once more to express the gratitude of the French Government for the liberal and humane gesture made by the Secretary of State, the importance of which is appreciated by the entire French nation.

Clayton and I subsequently discussed our conversation with Bidault and we are in agreement that extreme care should be used in dealing with this matter and that care should be taken to avoid any public statement at this juncture to reparations, level of industry, etc. which would react unfavorably on the Paris Conference or strengthen the Communists in their effort to discredit its efforts and those of the French Government.

Sent to Dept as 2775, to Geneva for Clayton as 83.

CAFFERY

862.6362/7-1547

*The British Embassy to the Department of State*¹⁵

AIDE-MÉMOIRE

General Clay and General Robertson have reached agreement in Berlin on a new level of industry plan for Germany. Their original

¹⁵ This *aide-mémoire* was left with Under Secretary of State Lovett by British Chargé Balfour on July 15.

intention was that this agreement should be published on Wednesday, July 16th.

2. The British Foreign Secretary thinks that in view of the way things are developing in Paris it would be highly undesirable for any publicity to be given to the Level of Industry Plan at the present time, since this would inevitably raise suspicions and create misunderstandings at the Paris Conference. He considers that no announcement should be made until the Paris Committees have got well under way and indeed thinks that it might be better for any publicity to be postponed until the forthcoming Anglo-American meeting in Washington. Mr. Bevin also considers that the agreement must be communicated to M. Bidault before it is made public.¹⁶

3. His Majesty's Chargé d'Affaires in Washington has therefore been instructed to inform the State Department of Mr. Bevin's views and to express the hope that, bearing in mind the importance of avoiding any unfortunate reactions in Paris, they will ensure that no publicity is given for the time being to this agreement by United States authorities either in Washington or Germany. General Robertson has also been asked to request General Clay to give no official publicity to the plan at the moment and to ensure that no premature unofficial leakage takes place.

WASHINGTON, July 15th, 1947.

740.00119 Control (Germany)/7-1547 : Telegram

The Secretary of State to the Embassy in France

SECRET

WASHINGTON, July 15, 1947—9 p.m.

URGENT NIACT

2605. For the Ambassador. The Dept is fully conscious of the considerations with regard to the French position set forth in your tel 2775 July 11¹⁷ and subsequent messages. In agreement with the British Embassy, which received a personal message from Bevin today, and with the War Dept, instructions have been sent to Clay to give no further publicity at this time to the bizonal agreement just concluded on the German Level of Industry.

¹⁶ In a telegram to British Chargé Balfour dated July 15, a copy of which was given to the Department of State, Foreign Secretary Bevin stated the following about immediate publication of the new level of industry plan:

"It will cause suspicion among many of the powers represented here [the Conference of Economic Cooperation at Paris] and will give substance to the propaganda which the Russians are putting out that the object of this Conference is to 'Put Germany First' . . . Any immediate publication I repeat would be a tragic mistake." (862.6362/7-1547)

¹⁷ *Ante*, p. 983.

British Embassy has just telephoned to say that Bidault has made inquiry of Bevin as to just what is being discussed by bizonal authorities on Level of Industry and that Bevin feels that he must give Bidault the story tomorrow. He is accordingly sending Hall Patch to explain the agreement to Bidault tomorrow. While the Dept realizes that you are not informed of the nature of the agreement, it believes it important that the French should likewise receive word of the Agreement from the American side. Please immediately consult Bevin and Hall Patch and arrange to coordinate the approach to the French. The British will be able to give you necessary information concerning the agreement and reasons behind it. The Dept leaves to your discretion whether you should make the approach jointly with British or whether you consider it desirable to see Bidault separately.

Dept regrets lack of time prevents informing you fully of nature of agreement and reasons or of sending Murphy to Paris to give you the background.

MARSHALL

862.60/7-1647 : Telegram

*The Political Adviser for Germany (Murphy) to the
Secretary of State*

[Extracts]

TOP SECRET
URGENT

BERLIN, July 16, 1947—noon.

1695. For the Secretary Eyes Only. Following is the substance of revised plan for reparations and level industry in bizonal area dated 16th, July which was scheduled for announcement on that date but which is not being published in accordance with Department's instructions (Deptel 1466, July 15¹⁸).

Preamble reviews objectives of plan for reparations and level of postwar German economy adopted by four occupying powers through ACC in March 1946, alludes to fact that plan was based upon Potsdam Agreement providing for German unity, and points out that failure to achieve unity and light of experience since plan adopted has shown unmistakably that revision necessary.

¹⁸ Not printed; it stated that both the Department of State and Bevin considered it of the highest importance that no immediate announcement of the new level of industry plan be made (862.60/7-1547). Similar instructions were transmitted by the War Department to General Clay. Telegram 1689, July 16, from Berlin, not printed, reported that the announcement of the new plan had been postponed in pursuance of the instructions from Washington. The telegram added:

"Thus far agreement has been closely held. I might say also that we had hoped for a bold step forward. As far as Germany itself is concerned positive and courageous action is indicated." (862.60/7-1647)

Objectives of plan were to eliminate Germany's industrial war potential, to provide reparations out of Germany's capital equipment for victims of Nazi aggression, and yet to leave within Germany necessary plant and equipment to permit rebuilding of viable, peaceful economy.

Plan was based upon Potsdam Germany; a single economic unit whose boundaries would not be further revised to deprive Germany of important natural resources, with common policies with respect production, allocation, import and export programs, currency and banking, and transportation and communications, and with a population estimated at 66.5 millions; all restrictions and removals to be predicated upon the ability of Germans to prepare, in language Potsdam Agreement for eventual reconstruction their life on democratic and peaceful basis.

Clear that assumptions have not been fulfilled, basic changes in situation have occurred, and level industry must be increased. Return of prisoners of war and refugees coupled with natural increase will raise population; bizonal now 16% above 1939 as opposed to 3% elsewhere in Germany. Economic integration of Saar into France, with acquiescence two other occupying powers, will lose to Germany coal and steel resources that area. There is no economic unification nor adoption and implementation common policies, and levels industrial capacity which at best would have been barely adequate in united Germany cannot suffice make the several parts of disunited Germany, which has more population and less coal and steel, self-supporting and able maintain tolerable standard living.

Lapse of time has demonstrated clearly that neither bizonal area nor all Germany can regain economic health under plan as now stands, and has become increasingly apparent that under present conditions Germany cannot contribute her indispensable part to general economic rehabilitation of Europe. Has become imperative reconsider industrial capacity required for bizonal area and arrive at new policy compatible with minimum needs of area, of Germany and of all Europe.

Revised plan agreed by two Military Governments holds to same objectives as original. If capacities are fully utilized, it should permit bizonal area to develop self-sustaining peaceful economy; and should provide sufficient exports to pay for essential food and other imports, and enable German people obtain within reasonable time standard living in conformity with that envisaged in Potsdam Agreement. Revised plan appears to be within capacity of manpower and transport resources Western Germany although its attainment during next few years will require full effort German Government, labor and management. At same time, it will not permit restoration dangerous industrial war potential, and will still provide for elimination of war plants and removal surplus industrial capacity for purpose reparations.

A principal consideration in present revision was need of removing uncertainty under which bizonal industry now operating. It is therefore anticipated that list of plants earmarked for reparations will be made available immediate future so that bizonal industry can devote its full efforts to task of rehabilitation.

Offer to other occupying powers to join bizonal area in developing unified German economy still stands. Plan has been developed with due regard to hope offer will be accepted.

1. *General.* Quadripartite plan provided for retention industrial capacity sufficient approximate production of depression year 1932; which equalled 55% of 1938 and was about 70-75% 1936 production. New plan would approximate 1936 level industry, a year characterized by neither boom nor depressed conditions.

a. Old plan provided very sharp cuts in production capacities in metals, machinery and chemicals industries, from which bulk of reparations were to be obtained. Impossible to provide self-sustaining economy in bizonal area without materially increasing levels these industries. Substantially entire difference between original and revised plan is in these reparations industries since original already provided maximum and in some cases unrealistic levels for non-reparations industries. New plan would provide production at levels averaging about 5 to 10% less than 1936 (a reduction of 55 to 60% from war year 1944).

b. Population factor must be borne in mind. Bizonal area already has at least 6 million more than 1936 and by 1952 expected have 8 to 10 millions more than pre-war. On basis expected population in bizonal area in 1952 of 42 to 44 million, per capita production capacity provided by new plan would be approximately 75% of 1936.

c. Over-riding requirement in developing bizonal plan has been to provide level industry necessary make area self-supporting. In determining levels for specific industries, for example, steel and machinery, requirements for exports, for internal needs bizonal area, and for trade with rest of Germany, have been taken into account. In devaluating requirements for trade with rest of Germany and of imports, account had to be taken of removals of capital equipment from other zones and Berlin. Required capacities of particular industries, therefore, allows for potential output to supply trade needs of rest of Germany. Bizonal area in order to be self-supporting must obtain products in which deficient either as imports from outside Germany or in trade from rest of Germany.

[The remainder of this telegram reviewed the provisions of the new level of industry plan regarding the balance of payments and restricted industries.]

MURPHY

711.51/7-1847

*The French Foreign Minister (Bidault) to the Secretary of State*¹⁹

SECRET

PARIS, July 17, 1947.

MY DEAR SECRETARY OF STATE: I turn to you personally in a situation which is extremely serious for my country and the whole world.

As you know, at the last meetings which took place in Paris the French Government burned its bridges.

Having burned them, it finds itself, on the side that it has chosen, in an absolutely unexpected situation, and one which has developed without its knowledge at the very moment when it was called upon to make a vital decision in another connection.

I can only express my surprise and my concern at the sudden revelation of a line of action which has such painful consequences for us in connection with the effort which I have made.

I went straight ahead in all tranquillity. I committed my country. I regret nothing that I have done. But I fear, if the plans of which I was given a glimpse, materialize at this time, not only will all my efforts have been in vain, but they will be turned against the cause I served.

Decisions concerning Germany such as those which the American and British Governments are contemplating will, without doubt, appear to French public opinion as justifying the position taken by Mr. Molotov and that adopted within France by the adversaries of the French Government.

The Government of the French Republic would be placed in an unexpected and untenable situation if the decisions which are now contemplated were confirmed. I do not wish to stress the obvious fact that I, personally, would be unable to continue my task.

¹⁹ The source text, a translation, was transmitted to the Department as enclosure 2 to despatch 9253, July 18, from Paris, not printed. The original French text of this message had been transmitted in telegram 2855, July 17, from Paris, not printed (711.51/7-1747). In telegram 2854, July 17, from Paris, not printed, Ambassador Caffery reported that he and the British Ambassador in France had been called to the French Foreign Ministry on the evening of July 17. Bidault handed Caffery this message, written in longhand. Bidault also handed the British Ambassador a message for Foreign Secretary Bevin. Bidault gave both Ambassadors the communication printed *infra*. Caffery reported as follows on the course of the interview with Bidault:

"Bidault complained bitterly to us that 'all of this' had been done behind his back. When reminded that if he had agreed to the fusion of the French zone with ours this could not have happened, he said 'Yes, I know that and I know full well that our zone must join yours but I cannot do it at the mouth of the gun. Why won't your governments let us in on conversations of this kind meanwhile?' He reiterated that he will leave the French Government at an early date if we remain adamant." (711.51/7-1747)

From the very beginning of the discussions to which your proposal to aid Europe gave rise, the Communists have declared, as has the Soviet Union, that the first result would be the reconstruction of Germany. I denied and fought that idea. Now the time has come to find out whether they or I was right. If I was wrong, I shall pay.

In order to justify the measures contemplated in favor of Germany, I was told that German psychology must be taken into account. I hope that our friends will attach at least equal importance to French psychology. I am compelled to say that to ignore that psychology when or because the French Government has committed itself will in all probability reopen the question of France's interior equilibrium and, through other men, the very choice she has made.

Now, when the present production of steel in Germany is at a level of three or four million tons and while my English and American informants admit that there is no hope of reaching the level of seven million and a half tons of steel which has already been agreed upon by all before one year, to decide upon another level at this time would be interpreted in France as a discrimination against her, and this immediately after the unequivocal decision she has made. We have never wanted either to starve Germany or to let her resources lie dormant. But if on the morrow of the Paris Conference, at a time when we are still filled with uncertainty regarding ourselves, there is a certainty for Germany, the consequences of this priority cannot be escaped.

I feel it my duty, in all confidence and frankness, to call your attention to a situation which directly concerns my country and, by its foreseeable repercussions, the entire future of the civilized world.

Believe me, very cordially,

Your very devoted,

BIDAULT

711.51/7-1847

*Communication by the French Foreign Minister (Bidault)*²⁰

SECRET

[PARIS,] July 17, 1947.

According to details given M. Chauvel by Sir Edmund Hall Patch, in presence of Mr. Bonbright, on the negotiations concerning Germany which are presently taking place between the American and British Governments, the scope which these negotiations have taken is a matter of great surprise to the French Government.

²⁰ The source text, a translation, was transmitted to the Department as enclosure 4 to despatch 9253, July 18, from Paris, not printed. The original French text had been transmitted in telegram 2856, July 17, from Paris, not printed (711.51/7-1747). Regarding the circumstances in which Foreign Minister Bidault handed this paper to Ambassador Caffery on July 17, see footnote 19, p. 991.

On two essential points, namely, the control of the Ruhr mines and the industrial level of Germany, it would appear that the two Governments have worked out a series of measures which obviously exceed the normal administrative measures taken by an Occupying Power.

Without prejudice to any later observations which the French Government may wish to advance regarding all or part of the proposals of which it has not yet been completely informed, the French Government wishes immediately to draw the attention of the British and American Governments in the most urgent manner to the fact that it cannot consider the British Government, acting alone as occupying Power of the Zone which has been turned over to it, nor the American and British Governments acting together in reason of the fusion of the American and British Zones, as being qualified to act in so far as the control of mines in the Ruhr and the industrial level of Germany are concerned. These two matters are the concern of the Council of Foreign Ministers and of the future Peace Conference, and no decisions which either one may make can be prejudged, either legally or *de facto*.

Furthermore, the French Government must point out to the American and British Governments that to raise the level of Germany industry substantially at the present time when American aid to Europe is still uncertain would be to give priority to the reconstruction of Germany over the reconstruction of France and other countries which were victims of German aggression.

If the American and British Governments confirm the proposals which they have formulated on these two points, the French Government will be forced to protest solemnly and publicly, and to make all reservations as to the various consequences which will inevitably follow.

740.00119 Control (Germany)/7-1847: Telegram

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

SECRET

PARIS, July 18, 1947—1 p.m.

URGENT NIACT

2863. The pertinent parts (dealing with the level of industry question) of minutes of conversation with French (Deptel 2635, July 17²¹)

²¹ Telegram 2835, July 16, from Paris, not printed, reported that a representative of the Embassy in Paris (James Bonbright, Minister Counselor) accompanied Sir Edmund Hall-Patch and other British representatives in an interview with Jean Chauvel and other French Foreign Ministry officials on the afternoon of July 16. Owing to the lack of background information, Bonbright limited himself to making it clear that the United States was in full accord with the British in informing the French fully concerning the recent American-British bizonal discussions (740.00119 Control (Germany)/7-1647). Telegram 2635, July 17, to Paris, not printed, asked for a telegraphic summary of what had been told to the French (740.00119 Control (Germany)/7-1647).

follow: Resumé of technical meeting the following morning (referred to in minutes and in mytel 2843²²) being transmitted in separate telegram.

We interpreted Deptel 2605, July 15²³ to mean that talks were designed primarily to be informative rather than consultative, particularly since a number of firm decisions appeared to have been taken by ourselves and the British. It will be seen from the minutes that this was the line taken by Hall-Patch.

"The French wished for an account of the UK-US discussions on the level of German industry.

Sir Edmund Hall-Patch said that our communication should be treated as confidential. He reserved the US position since the US representative had not been fully briefed. He said that we had reached with the US authorities what must be regarded as a firm agreement subject only to minor amendment. The plan applied to the bizonal area, not to Germany as a whole, though it was compatible with a plan for the whole of German industry. It would be for the CFM to decide this latter issue in November. It was recognized by all the delegations at Moscow that the level of German industry laid down in the March 1946 plan must be raised. Our present plan was based on the attainment of a level lower than that supported by the Russians but higher than we ourselves put forward at Moscow. He reiterated that the policy of HMG was based on the attainment of the economic unity of Germany. Having failed in Paris last year to secure agreement, we had entered into the fusion agreement and had announced that this agreement was open to other powers to join. Until a greater measure of economic unity was attained it was the duty of the powers concerned to make the best arrangements they could to make their zones work. We were compelled to take our own decisions and to operate our zones in a manner which would prevent the continuation of the present intolerable drain on the US and UK taxpayers.

The impracticability of the March 1946 plan was as clear to the Germans as to ourselves. The uncertainty of having no known level against which to measure their plans or on which to base their hopes was seriously retarding the economic recovery of our zones. It was also delaying the execution of a reparations program to which we, as well as the French, attached importance. The delay in fixing a level had led to the unfounded German view that we would not carry through a reparations program and that the industries at present at a standstill would later be brought into German use. It was important to stop this development. We must therefore establish a firm level and therefore the maximum German reparations commitment, and then remove all surplus plants speedily. The longer we delayed the more difficult it would be for us to obtain any reparations.

M. Chauvel queried the finality of the plan and emphasized its effect on other nations.

Sir Edmund Hall-Patch said that in our view the lower limit should be treated as final. He said that the policy of HMG was based on the

²² Dated July 17, 1947, not printed.

²³ *Ante*, p. 987.

limitation of German war potential to the maximum practical extent. This policy was in our direct interest since we required the reparations it would make available to reduce the drain on our dollar expenditure. Our passionate desire in the interest of world peace was to see the removal of any possibility of a fresh German aggression. But he pointed out that security had to be qualified by the need for a viable Germany. To set Germany an impossible economic task would not be in the interests of Europe; nor could we and the Americans accept indefinite responsibility for meeting a German deficit. After a detailed re-examination of the issue we had come to the conclusion that some of our security restrictions must be loosened in the hope of attaining a balance of payments. Our new level of industry plan was higher than that put forward by US at Moscow because we had been reluctantly convinced that the latter was economically impracticable.

He gave it as his view that in the face of the new proposals by Mr. Marshall it might be necessary, always subject to security considerations, to consider raising German production insofar as this was found indispensable to the recovery of Europe.

Details were given of the level proposed for the main industries together with the reasons which had forced us to these decisions. It was agreed to hold another meeting the following morning at 10:30 to go in greater detail into the levels proposed. In answer to M. Chauvel it was made clear that we did not aim at the reestablishment of a particular prewar level of production but that a year had been chosen as a measuring stick. The year 1936 had been selected as being a normal year before Germany had commenced to re-arm. Allowing for the movements of population, the standard of living which production at the rate of say 1936 would permit would be considerably less than that enjoyed by the German population in that year.

M. Chauvel wished to know whether questions such as the development of industries other than those in the restricted fields or the redistribution of steel between Germany and France had been studied. Sir Cecil Weir made it clear that these questions had been studied from the point of view of what Germany must produce to buy what she needed.

In answer to M. Couve de Murville, Sir Cecil Weir stated that we intended to make every effort to deliver the reparations equipment thrown up by the UK-US plan and to simplify the procedure of valuation, allocation, etc. To his query as to whether we thought it politically practicable to do so, Sir Cecil Weir said that we hoped to carry our program through successfully, but that delay would hamper the prospects or success.

M. Chauvel summed up French views by saying that he was struck by the effect the decisions we were taking might have on the future structure of Germany, although their decisions were being taken in the guise of administrative decisions necessary simply for bizonal purposes. France looked like being presented with a series of *faits accomplis*.

Sir Edmund Hall-Patch pointed out that we had not pressed on with these questions as much as self-interest would have dictated

since we had hoped for economic unity or at least French cooperation. We were now acting out of sheer necessity."

CAFFERY

711.51/7-1847: Telegram

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

SECRET

PARIS, July 18, 1947—8 p.m.

URGENT

2879. In connection with current furor over "proposals for Germany" (mytel 2863 July 18²⁴), I have of course sought to dispel—and I think successfully—any misunderstanding on part of Bidault and other members French Cabinet. In fact Bidault has stated he fully realizes our position and realizes that France must eventually go along with us but at same time emphasizes in strongest possible terms impossibility of average Frenchman doing so at this juncture. Signs of hesitation and fear that perhaps "France went too far", based on dread of Soviets and doubt certainty of our effective support, are already cropping up and may not be absent from Bidault's own thinking.

Obviously Bidault is panicky about his own position (and he is very ambitious) as well as about his party's prospects in this fall's municipal elections. Furthermore there is no doubt about his genuine concern over possible effect on present government. He says he already sensed throughout the country a ground swell of hostility to these "German proposals", adroitly magnified by Communist propaganda.

He has already (in his personal letter to the Secretary²⁵) indicated that he could not personally continue in office if we and the British persist in our expressed intentions. His resignation would undoubtedly provoke another government crisis in which the politicals of the MRP, RGR and Socialist Parties are for the moment unpredictable.

In addition, the Department will recall that in the "paper" which Bidault handed to Duff-Cooper and me (mytel 2856 July 17²⁶) the statement is made that the French Government will find itself compelled to protest solemnly and publicly if we go ahead with our plans as he now understands them, and especially the publicity angle.

Sent Department 2879, repeated London 559 and Geneva 99 for Clayton.

CAFFERY

²⁴ *Supra.*²⁵ Dated July 17, p. 991.²⁶ The telegram under reference is not printed, but for the "paper" referred to here, dated July 17, see p. 992.

862.60/7-1947

*The Secretary of State to the British Secretary of State for
Foreign Affairs (Bevin)* ²⁷

TOP SECRET

DEAR MR. BEVIN: In addition to the formal communication we have both received from the French Government expressing its concern over the new bi-zonal plan for the level of German industry in our zones, I have received a personal message from Bidault expressing in even more direct language the alarm of the French Government over the consequences of any announcement of this plan both on the internal situation in France and the position of the French Government in regard to any program of European recovery.²⁸ I am sure you will agree with me that the attitude of the French Government cannot be disregarded in this matter, and I feel we must make some concerted communication to the French Government in order to reassure them as to our intentions.

I therefore suggest for your consideration that we separately address a communication to Mr. Bidault informing him that the US and UK Governments will suspend further announcement on the agreed plan for revised bi-zonal level of industry in Germany until the French Government has reasonable opportunity to present its views for full consideration.

I would appreciate your urgent views on this suggestion.

Faithfully yours,

G. C. MARSHALL

840.50 Recovery/7-2047: Telegram

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

SECRET

PARIS, July 20, 1947—6 p.m.

2885. For the Secretary, Lovett and Harriman. I am forwarding by air pouch a record of conversation, which Bidault had with Secretary Harriman and myself on July 16.²⁹ Many of his observations were

²⁷ The source text was transmitted in telegram 3102, July 19, to London, not printed. This message was not delivered to Foreign Secretary Bevin until July 21.

²⁸ For the messages under reference here, see pp. 991 and 992.

²⁹ The record of conversation between Harriman, Caffery, and Bidault was transmitted to the Department as an enclosure to despatch 9273, July 21, from Paris, neither printed (840.50 Recovery/7-2147). In telegram 2847, July 17, from Paris, Caffery reported as follows on the circumstances in which this conversation was begun:

"I took Harriman to call on Bidault yesterday afternoon at six o'clock. A little after five Weir and Hall-Patch had begun explaining to Chauvel and other Foreign Office officials certain views of the US and Great Britain in regard to our zones in Germany. Alphand had come out of the meeting and had given to Bidault some of the first information imparted (some of this he gave erroneously or Bidault had misunderstood). We found Bidault in a hysterical condition." (740.00119 Control (Germany)/7-1747)

parallel to those made to Mr. Clayton, Duff-Cooper and myself and previously reported to the Department.

Bidault remarked that the Paris conference work was going well but that he was very alarmed about developments in Germany. He said that France was now faced with the following prospects:

1. Measures had been taken to centralize Germany.
2. They have been taken or will be taken to reestablish the Germans in the mines.
3. The immediate raising of the steel production level is contemplated.

With reference to this situation, Bidault said: "We have 180 Communists (in the Assembly) who say: 'the Marshall Plan means Germany first.' If something permits them to say this again, whether with ostensible or real reason, I tell you the government will not survive.

"I am not in a position to overcome the simultaneous opposition of General De Gaulle, the Communist Party, and a not negligible fraction of my own friends. Besides, I don't want to. All this has to do with Germany, of course. We know how things are going to come out. It is perfectly clear that we must accomplish the fusion of zones, that the Germans must be permitted to live and to produce, and that the categorical positions which we had defended at the beginning will have to be modified. But I repeat, if this additional burden is thrown on my shoulders in such conditions that I could not offer a valid answer, I would be in absolutely no position to confront the situation, after everything I have already done.

"Within a few days from now, I shall have to defend, before a Parliament in which there are 180 Communists and 120 Socialists, the matters of Greece, the Paris conference, and the outright breaking with the Soviets. If, in addition, I must explain the agreement contemplated among you with regard to the Ruhr and German production, I shall not succeed."

Mr. Harriman in reply pointed out that our policy in support of federalization remained unchanged: that the question of ownership of the Ruhr mines had not been determined and that we felt that this problem could be set aside for a certain period, say five years: but that we believed that coal output could be increased by making Germans responsible for production subject to supervision by the military authorities.

I confirmed Mr. Harriman's remarks and remarked that Mr. Bevin said he intended to "put the nationalization question on ice".

On the question of the level of steel production, Bidault challenged both the quantity to be permitted and the necessity for making a decision at this time. He ventured that a year from now actual pro-

duction would not reach 7.5 million tons, "yet today one speaks of 11 million". "Eleven million tons would represent a considerable argument for the Communists who will say: 'there is three times as much steel in Germany as there is in France'".

Mr. Harriman in reply pointed out that an agreement on level of industry was necessary, and he mentioned the excessive cost of dismantling and transferring factories. Bidault said that reparations received to date had been helpful in raising French production "only to a small extent". He added that it was the other three occupying powers who had invented reparations by plant transfer.

Mr. Harriman in reply emphasized the fact that operations in Germany were now costing US 700 million dollars per year: that it was extremely difficult for the two combined zones to be self-sufficient, and that the point had been reached where measures had to be taken. The Foreign Minister, in closing, emphasized the following two points:

1. "In France we are not producing (steel), by far, what it is proposed to promise to Germany. That is why I would be compelled to protest."
2. "I tell you again that I and the government are in danger of being placed in a tragic situation."

Sent Department 2885, repeated Geneva for Clayton 104, London 563, Berlin 265, via air pouch to Rome and Moscow.

CAFFERY

862.8362/7-2047

*The British Secretary of State for Foreign Affairs (Bevin) to the Secretary of State*³⁰

I am giving careful study to the present position as regards both the level of industry and the reorganisation of the management of the coal industry in Germany. I intend to consult my colleagues on these matters in the light of M. Bidault's message early next week. In view of the joint Anglo-American responsibility for the bizonal area it is clearly necessary that the replies of both His Majesty's Government and the United States Government to M. Bidault's letter should be on parallel lines, and I should welcome any indication you can give me of the views of your Government of the important issues raised by M. Bidault. I understand that M. Bidault has to answer a Parliamentary Question on Friday July 25th and being so, he clearly ought to be in possession of the views of our two Governments before that date.

³⁰ The source text was transmitted to the Secretary of State by British Chargé Balfour under cover of a letter dated July 20, 1947, not printed.

In the meantime I am instructing General Robertson in Berlin that he must suspend for the time being all further action in the matter of concluding an Anglo-American Agreement on the subject either of the level of industry or the management of the coal industry as the matter is now under consideration by His Majesty's Government; that he may make no announcement and that no publicity either official or unofficial should be given to either question in Berlin; and that no communication should be made to the I.A.R.A. in Brussels on the level of industry as was at one time contemplated. I hope that you may feel able to send similar instructions to General Clay.

862.60/7-2147

*The British Secretary of State for Foreign Affairs (Bevin) to the Secretary of State*³¹

I am most grateful for your message of 21 July³² about the attitude of M. Bidault to the Bizonal plan for the level of German industry. You will have seen from my earlier message³³ that M. Bidault has already approached me about this matter and I have assured him that no further action in the matter of concluding an Anglo-American Agreement on the level of industry or the management of the coal industry will be taken in the immediate future.

I am in entire agreement with you that the attitude of the French Government cannot be disregarded and that our two Governments should make a concerted communication to the French Government to reassure them.

I am considering carefully what I think we should say to the French Government on this matter in the light of what you yourself suggest at the end of your message, and I will let you know my Government's views within the next 48 hours.

862.60/7-2147

Memorandum of Conversation, by the Secretary of State

[WASHINGTON,] July 21, 1947.

Participants: M. Bonnet, the French Ambassador;
The Secretary of State;
Mr. Matthews.

Ambassador Bonnet called this afternoon at his request. He said that he had explained to Mr. Lovett on Friday the great anxiety in

³¹ The source text was transmitted in telegram 3976, July 21, from London, not printed. This message was subsequently delivered to the Secretary of State by British Chargé Balfour in a letter dated July 22, not printed.

³² *Ante*, p. 997.

³³ *Supra*.

France with regard to recent bi-zonal discussions on Germany.³⁴ Since then, he said, M. Bidault had received my brief message³⁵ and it was appreciated. Aside from the "technical aspects" of the new level of industry proposals, he said, the French Government and public opinion attached the greatest importance to the security problem raised for France. He did not wish to repeat what he had told Mr. Lovett but merely wished to say that much use was being made in France of the belief that the recovery of Germany was being given priority over that of France and other Allies. France did not believe that European steel production should be on the same pattern as before the war. Under the Monnet Plan³⁶ there was provision for a considerable increase in French steel production which France felt should to that extent replace German steel. The French further objected to the proposals for management of the Ruhr coal mines (i.e., turning them back to more direct German operation). M. Bidault felt so strongly that the proposed agreement on the level of industry and any announcement concerning it should be postponed that he was prepared to take a plane for Washington to discuss it.

I told M. Bonnet briefly of the various proposals at Moscow for the increase in the German level of industry where the Soviet Union had suggested a German steel output of 13 million tons. When it became apparent that there could be no agreement on the economic unification of Germany at Moscow Mr. Bevin had suggested the immediate announcement of an increase in the bi-zonal level of industry envisaging a steel output of some 10 million tons. I had felt that this would not be wise at that time and that we did not have enough data to know what the proper level should be. We had therefore agreed that there would be no announcement at Moscow but that we would have our bi-zonal authorities undertake an immediate study with a view to announcing the conclusions within 30 to 60 days. The study proved more complicated than we had anticipated and discussion was consequently long-drawn out. The British and American zonal authorities just happened to reach conclusions at the time of the Paris talks. I said that I could well understand the French worries from the point of view of security in view of the number of times M. Bonnet's country had been invaded by the Germans and what it had suffered from them. Personally, I did not feel that Germany could be a danger to France for many years to come and I was convinced that the Soviet

³⁴ Under Secretary of State Lovett's memorandum of his conversation with Ambassador Bonnet on July 18 is not printed (740.00119 Control (Germany)/7-1847).

³⁵ The reference here is to the Secretary of State's message of July 18 to Foreign Minister Bidault, the text of which is given in footnote 39, p. 1003.

³⁶ Plan for French economic reconstruction and modernization, prepared under the general supervision of Jean Monnet and approved by the French Government in January 1947.

Union shared this feeling, otherwise, they would not have proposed a German steel level of 13 million tons. The danger, as I saw it, to France would be a Germany controlled by the Soviet Union with German military potential utilized in alliance with the Soviet. This I thought was the real menace for France since it is clear the Soviet régime wants to use Germany for its own advantages. It is not to France's interest to have the Soviet dominate Germany.

There was one aspect of the question which perhaps was not fully appreciated in France, I said, namely, the matter of American appropriations for the costs of our occupation in Germany. The War Department is finding it more and more difficult to obtain approval for its appropriations and insists that it is the one which has to carry the battle with Congress. This was not entirely true since I joined in the support of their appropriations and it seemed to me as though I had appeared before about every Committee on the Hill. We have just had news that the appropriations for Germany, Austria, Korea and Japan have been cut by \$175,000,000 so that as it stands now we only have enough funds to carry us through March. We cannot count on a deficiency appropriation after that time for we are then charged by Congress with failure to allocate appropriated funds so that they will last for the full year. In addition the British have told us that they are having difficulty holding up their financial end in the bi-zonal area and have indicated that they will not long be able to do so. I thought the French Government should know of these difficulties. The principal objective at the present seems to me to get increased coal production which is the one thing all Europe needs and then to get it properly allocated.

I said there was one aspect of the matter which I did not fully understand and that is why Mr. Bidault wanted publicity concerning the level of industry agreement. I said that now Molotov knows all about the difficulties and would certainly make full use of the public discussion. I supposed Mr. Bidault's attitude on German industry would help him politically in France.

Mr. Bonnet replied that leaks concerning the impending level of industry agreement had come out first from Germany and coupled with the announcement of our new directive to General Clay had created such agitation in France and had given such ammunition to the Communists that Mr. Bidault felt that he had to make his position clear. He said that his Government could not see the urgency of proceeding with the agreement since German industry will probably not reach the level already accepted by quadripartite agreement for several years. I said that while this was true our people in Germany said that it was important to let the Germans know what plants would

be retained and which ones would be destroyed. Otherwise the uncertainty made it difficult to get them in operation.

The Ambassador said that he had been authorized to tell me that if the CFM meeting in November did not reach quadri-partite agreement, France would be prepared to join her zone to the British-American zones. His Government felt that to raise the level of industry on a bi-zonal basis went beyond zonal authority and was contrary to quadripartite agreements. It could not properly be undertaken prior to the November CFM.

He emphasized France's willingness to consult on ways and means of increasing coal output and offered to send engineers. He said that France had had some of the same problems in getting production in its own mines where the miners and their families had been underfed as well as in the Saar and he thought France could make a real contribution.

I handed the Ambassador for his information a copy of the attached message sent to Bidault this afternoon.³⁷ He read it and expressed his satisfaction. He said that he knew Mr. Bidault would appreciate our agreement to withhold any further public announcement of the revised bizonal level of industry until the French Government had been consulted.

862.6362/8-847

*The Secretary of State to the French Foreign Minister (Bidault)*³⁸

SECRET

[WASHINGTON, July 21, 1947.]

Since sending you my message on July 18th,³⁹ I have given further consideration to the problems you raise in connection with the proposals put forward by the U.S.-U.K. representatives in Germany as regards the future level of industry in the bi-zonal area in Germany and the management and control of the coal industry in Germany. In order to give time for a full consideration of the views of the French Government in these matters, the United States Government

³⁷ For the text of the message under reference, see *infra*.

³⁸ The source text was transmitted to Foreign Minister Bidault by Ambassador Caffery in a letter dated July 22, 1947, not printed, a copy of which was transmitted to the Department as enclosure 4 to despatch 9396, August 8, from Paris, neither printed. This message was transmitted to Bidault in pursuance of instructions contained in telegram 2670, July 21, to Paris, not printed (711.51/7-1747). A copy of this message was handed to Ambassador Bonnet by the Secretary of State on July 21. Telegram 3116, July 21, to London, not printed, requested Ambassador Douglas to inform Foreign Secretary Bevin of the terms of this message to Bidault (862.6362/7-2147).

³⁹ The message under reference, which Ambassador Caffery transmitted to Foreign Minister Bidault on July 19, read as follows:

"I have received your message and am giving it my personal attention. This immediate acknowledgment is to advise you that I fully understand the delicacy of your position." (862.6362/8-847)

will suspend further announcement upon the proposal for the revised bi-zonal level of industry in Germany until the French Government has had a reasonable opportunity to discuss these questions with the United States and United Kingdom Governments.

I have already approached Mr. Bevin in this connection and I hope that we may shortly be in a position to indicate to you the manner in which a consideration of the issues involved may be arranged. I have been informed by Mr. Bevin that the British Government is now considering the whole position and I hope that therefore it will be possible within a few days to go into this matter in greater detail with you.

862.60/7-2447

The Assistant Secretary of State (Hilldring) to the Secretary of State

[WASHINGTON,] July 24, 1947.

Subject: Suggested Position in Discussion⁴⁰ with the Secretary of War Concerning Relationship of German Level of Industry Agreement with Marshall Plan.

With the concurrence of the War Department, we have advised Bidault that in order to give time for a full consideration of the views of the French Government concerning the future level of industry in the bizonal area of Germany, the U.S. Government will suspend further announcement upon the proposal for the revised level of industry until the French Government has had a reasonable opportunity to discuss the matter with the U.S. and U.K. Governments. It is important now (1) to develop a fixed U.S. Governmental position regarding the relationship between the German level of industry plan and the general problems of European reconstruction which will evolve out of the Paris conference and the Marshall Plan and (2) to decide upon the appropriate method of consultation with the French Government pursuant to your commitment to Bidault.

In your discussion with the Secretary of War concerning the first problem, it is suggested that you discuss the following points:

a. The Department of State has now been able to obtain informal assurance from the French Government of adherence to the bizonal fusion. It is expected that this action will take place in November of this year.

b. The Department has succeeded in obtaining from Mr. Bevin agreement to "put in cold storage" the question of socialization of the Ruhr-Aachen coal industry.

Both of these commitments are, of course, of direct and substantial benefit to our military government objectives in Germany. The French

⁴⁰ No record has been found of the discussions with the Secretary of War alluded to here.

commitment to join the fusion climaxes a protracted and patient effort on our part. There should be no doubt in the mind of the Secretary of War or his associates that the Department of State possesses an awareness of and a vital interest in the problems faced by our military authorities in Germany.

With respect to the Level of Industry Agreement negotiated by Generals Clay and Robertson, although the Department has not yet received its text, it is satisfied that the Agreement is wholly consistent with the guidance previously furnished to General Clay and has no present doubts concerning its validity. The Department has every confidence in the Agreement and will be prepared to defend it with the utmost vigor against suggestions for modification. At the same time, the Department believes that the U.S. Government cannot with propriety, particularly with regard to the basic security interest of this country in the success of an integrated plan for European recovery, decide at this moment that no conceivably meritorious suggestion for modification of the Level of Industry Agreement may be presented as a result of the work of the Paris Conference. The Department's view is one of elementary prudence. It reflects neither criticism of the Agreement nor doubts as to its soundness. It is based upon the position that the recovery of Europe and the recovery of Germany are two aspects of one problem and that a sound German economy cannot survive in a prostrate Europe any more than that European reconstruction can be achieved without a stable, democratic Germany.

Suggestions concerning methods of consultation with the French Government are embodied in a separate memorandum being prepared by the Office of European Affairs.⁴¹

J. H. HILLDRING

862.60/7-2447

The British Chargé (Balfour) to the Secretary of State

MOST IMMEDIATE

SECRET

WASHINGTON, 24th July 1947.

Ref: G67/-/47

MY DEAR MR. SECRETARY: In his message to you of July 22,⁴² which I conveyed to you in my letter on that date, Mr. Bevin said that he hoped to let you know, within forty-eight hours, the views of the United Kingdom Government on the French protest regarding the German level of industry plan. This question has now been considered by ministers in London and Mr. Bevin has been authorized to suggest to you that the United States and United Kingdom Governments should now reply to the French Government on the following lines.

⁴¹ Regarding the memorandum under reference here, see footnote 45, p. 1007.

⁴² *Ante*, p. 1000.

(a) Nothing further will be done in the direction of implementing the level of industry plan until the beginning of September.

(b) In the interval, the United States and United Kingdom Governments will be prepared to consider any representations that the French Government may care to make to them on the subject of the level of industry plan, although they cannot concede that France, not being a party to the fusion, has an equal right with themselves to determine the level of industry in the bi-zonal area, especially having regard to the financial drain upon them.

(c) In these circumstances, and in view of the desirability of doing nothing to complicate the work of the Paris Conference, it is hoped that the French Government, should they wish to raise any questions about the level of industry plan, will do so direct with the United States and United Kingdom Governments and not at the Conference.

(d) No further action will be taken before the beginning of September in the direction of implementing the Anglo-American Agreement tentatively reached in Berlin concerning the management of the coal industry and in the interval the two Governments will be ready to consider any representations that the French Government may wish to make to them on this subject.

2. Mr. Bevin would be grateful if you could let him know as soon as possible whether you agree to a communication in the foregoing sense being addressed to the French Government. Mr. Bevin is anxious to send instructions to His Majesty's Ambassador in Paris as soon as possible since he understands that M. Bidault may have to answer a Parliamentary question on the subject on July 25.

3. I will be very pleased to transmit your answer to Mr. Bevin by most immediate telegram.

Yours sincerely,

JOHN BALFOUR

862.60/7-2447

*Memorandum of Conversation, by the Under Secretary of State
(Lovett)*

[WASHINGTON,] July 24, 1947.

Participants: The Under Secretary
 Sir John Balfour, British Embassy
 Mr. Graves, British Embassy
 Mr. Penson, British Embassy
 Mr. Matthews

When Sir John Balfour finished discussing the Indonesian question ⁴³ I referred to the two letters he sent to the Secretary today on

⁴³ The record of the discussion regarding Indonesia has not been printed. For documentation regarding the concern of the United States over the nationalist opposition to the reestablishment of Dutch rule in the Netherlands East Indies, see volume VI.

the question of the German level of industry plan and the French protest regarding it.⁴⁴ I said that we have given such thought to his communications as was possible in the brief time and that I should like to read him the conclusions which we had reached to date. I then read the following from Mr. Matthews' memorandum:

"We do not feel that we can say anything more to M. Bidault at this time and that we believe that our message of July 21, which his Government has, should suffice for Bidault's purposes for the next few days. If Mr. Bevin feels that he must send some further message to Bidault we hope that he will merely agree that there should be no implementation of the level of industry plan and no announcement of it for the present and that there should be consultation with the French. We hope Mr. Bevin will not find it necessary to be more specific as to the form of consultation until we can work out the form of consultation together with the British."⁴⁵

Mr. Penson took down the sense of this on paper. Neither he nor Mr. Balfour made any comment with respect to the subject other than to say they would forward it to Mr. Bevin immediately.⁴⁶

In discussing the text of the British proposal I referred to the wording of paragraph (b) which reads as follows:

"(b) In the interval, the United States and United Kingdom Governments will be prepared to consider any representations that the French Government may care to make to them on the subject of the level of industry plan, although they cannot concede that France, not being a party to the fusion, has an equal right with themselves to determine the level of industry in the bi-zonal area, especially having regard to the financial drain upon them."

I said that since the purpose behind our recent efforts was to calm down French sensibilities I felt that this paragraph, if communicated to the French, would have the opposite effect. Mr. Balfour agreed and said that it had struck him the same way. He went on to say that Bonnet had told him that he expected "tripartite consultations" be-

⁴⁴ One of the letters of July 24 from Balfour is printed *supra*. In his other letter to Secretary Marshall, not printed, Balfour transmitted Foreign Secretary Bevin's suggestion that the British and American Commanders-in-Chief in Germany should be instructed that, when replying to any questionnaires they may receive from the Conference of European Economic Cooperation in Paris, they should base their answers on the new level of industry plan (862.60/7-2747). This was, in fact, done.

⁴⁵ The quotation printed here is virtually the entirety of a memorandum prepared by Matthews for Under Secretary Lovett, dated July 24, giving the sense of a meeting of Departmental officers in Assistant Secretary Hilldring's office on the morning of July 24 (862.60/7-2447).

⁴⁶ On the afternoon of July 25, the British Embassy informed the Department of State that Foreign Secretary Bevin agreed with the message sent to him by Minister Balfour following this conversation with Under Secretary Lovett that no consultations should be held with the French regarding the level of industry until American and British officials had worked out the form under which this consultation would take place. Memorandum of conversation by C. Tyler Wood, July 25, 1947 (711.51/7-2547).

tween the three Governments on the level of industry would begin in a week or so and that he had seemed very pleased with Secretary Marshall's message to Bidault. We said that there had been no assurances to M. Bonnet that the consultations would necessarily be tripartite nor did we know definitely what was the French desire.

We pointed out that paragraph (c) of the British communication seemed to visualize nothing more than an acceptance of separate French representations to our two Governments. We did not believe that this would satisfy the French and Mr. Balfour agreed. It was left that he would query his Government as to whether and where and in what form the British visualized consultation with the French. I said that meanwhile we would try to clarify our own thinking on this. Mr. Balfour did not believe his Government would favor having any such consultations in Paris in view of the possibility of confusion with the 16-nation conference.

I also referred to the date of the beginning of September in the British letter and said that I thought it was inadvisable to pin ourselves down at this stage to a definite date. Mr. Balfour agreed.

862.60/7-2547 : Telegram

*The Political Adviser for Germany (Murphy) to the
Secretary of State*

TOP SECRET

BERLIN, July 25, 1947—3 p.m.

URGENT NIACT

1771. Personal for the Secretary. Eyes Only. Thus far we have only press reports regarding your position on the German bizonal level of industry. General Clay has kept me informed of his exchanges with the War Department on the subject and has asked me whether the Department has supplied information regarding its attitude. Petersen informed Clay that he and Secretary Royall had only yesterday learned with "shocked surprise" of the Department's decision to postpone announcement of the new bizonal level of industry and to consult with the French prior to any announcement and I understand that Secretary Royall is to see you today and may make the point that there has been no consultation either with Military Government, Germany, or with the War Department. This Mission officially is in the dark regarding this development. American correspondents in Berlin are pressing for guidance as to State's position.

For your strictly personal information, I also understand that General Clay has informally indicated to Petersen that under the circumstances his usefulness here would appear to be at an end and that

the best solution would be for him to be called to Washington ostensibly for the Coal Conference⁴⁷ but actually for the purpose of resignation. I believe that if Clay does retire under these circumstances he may feel obliged to make certain public statements of his views and his disagreement with what he understands has happened. I pointed out to him that thus far the Department has not yet informed him of the facts and that what we have now is largely a newspaper understanding. I would be grateful for the benefit of your advice.

MURPHY

*The War Department to the United States Military Governor for Germany (Clay) at Berlin*⁴⁸

[WASHINGTON,] 26 July 1947.

War 82897. Personal for Clay from Royall and Personal for Murphy from Marshall, State and War Departments agree⁴⁹ that US Government will support vigorously the level of industry agreement reached by you with Robertson and defend it against any suggestions from other nations for modification, unless amendment may be found necessary in case of genuine threat to the success of the European economic plan (Marshall Plan) or in the face of a threatened collapse of democracy in France.

State and War Departments agree that in any event full power of decision concerning matters arising out of bizonal fusion will rest entirely with the U.S.-U.K. Governments, and that on any such matters requiring mutual consent of U.S.-U.K. Governments, there will continue to be full coordination between State and War before the U.S. Government proposes or agrees to any modifications, amendments or decisions in such matters.

It is also agreed between State and War that in view of the recognized urgency of the situation in Germany, it is the desire of this Government that announcement of the new bizonal level of industry agreement should be made as soon as possible, consistent with overall

⁴⁷ The reference here is to the American-British conference in Washington in August and September 1947 on measures for the control of German coal production; for documentation, see pp. 909 ff.

⁴⁸ The source text for this telegram is included in the files of the Office of European Affairs, Division of Western European Affairs, Lot 53 D 246, file "Germany-General".

⁴⁹ Representatives of the Department of State and the War Department met on July 26 to discuss a proposed memorandum of understanding between the two Departments concerning the treatment of Germany, the level of industry plan, and Ruhr coal production. Various drafts of the proposed memorandum of agreement are included in the EUR/WE files, Lot 52 D 246, file "Germany-General".

European developments. It is the expectation that it will be possible to make the announcement not later than September 1st.

The exact course to be followed as to the time and method of implementing the level of industry agreement is being discussed between War and State Departments as are various questions relating to the Ruhr coal matter. As soon as the two Secretaries reach an understanding on those or related matters you will be notified.

*The War Department to the United States Military Governor for Germany (Clay) at Berlin*⁵⁰

[WASHINGTON,] July 28, 1947.

Personal for Clay from Royall and Personal to Murphy from Marshall.

Part I. The following understanding⁵¹ supplements the agreement expressed in cable of 26 July to Clay and Murphy:⁵²

1. No other country will have any vote, veto or power of decision as to the bi-zonal level of industry, and no liaison representative or other representative of any other government will participate in any bi-zonal or other US-UK conferences as to the bi-zonal level of industry.

2. If any Government presents to the U.S. Government its views as to the level of industry plan, the State Dept may transmit these views to the bi-zonal authorities for their consideration. Such views will be appraised by the bi-zonal authorities and given such weight as is thought proper, and their recommendation on the fundamental questions of the level of industry forwarded to the U.S. and U.K. Governments for approval.

3. As stated in the cable of July 26 referred to above, public announcement of the new bi-zonal level of industry agreement will be made at the earliest possible date and is expected, in any case, to be not later than September 1, 1947. If the timing permits, the bi-zonal level of industry agreement should be presented, simultaneously with its public announcement, to the appropriate committee of the Paris Conference as a part of any general plan of western European reconstruction.

4. If an invitation from the Paris Conference for American repre-

⁵⁰ The source text for this telegram is included in the files of the Office of European Affairs, Division of Western European Affairs, Lot 53 D 246, file "Germany-General".

⁵¹ On July 28 Secretary Marshall and Secretary Royall met to resolve differences of opinion over a memorandum of understanding proposed by the Department of State. No record of that meeting has been found.

⁵² *Supra.*

sensation is accepted the delegation would be expected to include representatives of the War Department and the Theater Commander.

Part II

5. The U.S.-U.K. coal conference will take place in Washington as scheduled and no other government will be invited to participate. No other country will have any vote, veto or power of decision as to the ownership, management or other matter affecting the coal industry in the bi-zonal area, and unless future circumstances make it imperative, no liaison or other representative of any other government will be present in any bi-zonal or other U.S.-U.K. conference dealing with coal in the bi-zonal area. During the course of the coal conference only such information concerning its deliberations which the State and War Departments agree is appropriate for release will be given to the representatives of any other government in such manner as the State Department may determine.

6. If any government presents to the State Department its views as to coal in the bi-zonal area, the State Department may transmit these views to the members of the coal conference, if then in session, and to the bi-zonal authorities for their consideration. Such views will be appraised by the bi-zonal authorities and given such weight as is thought proper. Where fundamental principles are involved, such views may be transmitted to the bi-zonal authorities with directions that final action thereon not be taken until a governmental decision has been reached.

7. It is agreed that the export price of coal is a matter for final determination and announcement by the bi-zonal authorities subject to any immediate increase in price being confirmed by the coal conference.

840.50 Recovery/7-3047 : Telegram

*The Under Secretary of State for Economic Affairs (Clayton) to the
Under Secretary of State (Lovett)*

TOP SECRET

PARIS, July 30, 1947—2 p.m.

3026. For Lovett's Eyes Only from Clayton. Monnet and I dined together last evening, no one else present.

Monnet says that France is the key country in the implementation of the Marshall proposals, that two things must be done to bring about a satisfactory understanding between France and the United States in connection with such proposals: (1) The German problem must be settled; (2) France must put her financial and monetary house in order.

We both agreed that no final settlement of the German problem could be made until after the CFM meeting in November but, meantime, conversations should be taking place on a rather high level and technicians should be at work.

I told Monnet that my own view is that the German problem, vis-a-vis France has three aspects: (1) security; (2) the political and economic power which the Ruhr gives Germany in her relations with her neighbors and (3) competition. I added that I sympathized with France regarding (1) and (2) but that I had no sympathy whatever for her position regarding (3) if I understood that position correctly; my understanding being that France would like to see the level of heavy industry in the Ruhr forcibly curtailed through the power of the victor in order that corresponding industries could be built up in France and other European countries either by removal of equipment from the Ruhr or otherwise.

Monnet said that while certain individuals in France probably had ideas on (3) such as I had indicated, he did not believe that the French Government or the French people entertained such ideas.

Monnet said that of course the French zone would be merged with the British and the American. I said that my view is that all Western Germany should be put under one administration with all zonal boundaries completely eliminated; that the Ruhr should not be internationalized or detached from Germany but that there should be an overriding international authority of which Germany would be a part, clothed with power of allocating production as between domestic and foreign.

I was delighted to have Monnet make his point number (2). He said that he is giving much thought to the subject, that he has discussed it several times with Bidault and has undertaken the responsibility of preparing a memorandum for the French Government on the steps which should be taken. He said in this connection that he thought it was highly important that a portion of the aid given to France by the US under the Marshall Proposals should consist of gold which could be used as a stabilization fund. I told him that this would be extremely difficult, that it was much easier to justify and support a program which supplies food to hungry people, coal to help heat their houses and operate their industries, cotton to clothe them, etc., than it was to supply gold, but that I certainly would not say categorically that it could not be done if a workable plan for putting the French financial, monetary and fiscal house in order could be devised.

I believe that Monnet is very close to Bidault and has considerable influence in matters of this kind.

711.51/7-3047

*Memorandum of Conversation, by the Chief of the Division of
Western European Affairs (Reber)*

[WASHINGTON,] July 30, 1947.

I asked Mr. Penson to call this morning in order that I could explain to him our proposal as to the procedure to obtain French views in regard to the German level of industry plan and management and control of the Ruhr coal industry and gave him the substance of the proposed telegram to Paris⁵³ which had been agreed with the War Department yesterday, explaining to him that we envisaged obtaining the views of the bi-zonal authorities but that the US Government did not think that tri-partite consultation on this subject should take place. Mr. Penson promised to telegraph this proposal immediately to London.

This afternoon Mr. Penson called to say that in the interim a telegram had been received from Mr. Bevin giving his views as to the proposed approach to the French. Up to a certain point these were in harmony with us as Mr. Bevin suggested that the two governments should now inform the French government that we would be very glad to receive and consider any representations that the French government might care to make to us with regard to the level of industry plan and the coal management plan. Mr. Bevin further believed that it was important once these views had been received that the conversations should take place between the two governments so that the US and UK could establish a common line with the French. At this point, however, the British position differs from ours in that Mr. Bevin considers it equally important, in view of what has already been said to the French, to go further than simple consultation and to be prepared to have tri-partite discussions, provided that these were on an entirely informal basis and at the official level.

When I again explained that we were not prepared to agree to tri-partite consultations, Mr. Penson said that in view of the extreme importance of this problem and its relation to the future of European economic recovery Mr. Bevin feels that no procedural difficulties should be placed in the way of reaching an understanding with the French. He appreciates fully the importance of not allowing the French to think that they have a veto in this matter and of avoiding getting ourselves in the position of not being able to make further progress in the implementation of the plan. He does, however, con-

⁵³ The draft telegram under reference, subsequently sent as 2868, August 2, to Paris, not printed, transmitted the substance of the communication addressed to Foreign Minister Bidault by Ambassador Caffery on August 4, p. 1017. (711.51/7-1747)

sider that the French should be given the opportunity of discussing this vital problem with both the US and UK Governments. I promised to bring this explanation of Mr. Bevin's views to the attention of the Secretary.

As a result of our conversation Mr. Penson is sending a telegram this evening to London urging that his Government agree to a communication along the lines I had proposed this morning and of reserving the question of tri-partite consultation until the two Governments had had an opportunity to consider and study the French views. He feels that the British Government will wish to raise this point again at that time at the latest.⁵⁴

I said that of course I appreciated that if the British Government felt that overwhelming considerations should make it necessary at that stage to raise the question again, we should be prepared to hear their views. I did not now anticipate, however, that even at that time would we be ready to accept the necessity for holding such tri-partite conversations.

*Memorandum by the Under Secretary of State (Lovett) for the Secretary of State*⁵⁵

[WASHINGTON,] August 3, 1947.

The present crisis with the French arose directly out of the statement of Secretary Royall at a press conference in Berlin on August 1st. According to the New York *Herald Tribune*, the Secretary stated that he knew

"of no agreement by the War Department or the State Department to consult with France before promulgation of the plan to raise the level of industry in Western Germany."

The United Press reports his remarks as follows:

"He also claimed he had no knowledge of French protests on proposals to raise the level of German industry in the British and American zones. Royall said at a press conference that the United States feels free to boost German industrial production without consulting the French Government, which opposes any increase. 'I would

⁵⁴ Penson informed Reber on the morning of August 2 that the British Government agreed with the procedure outlined by Reber for securing French views on the level of industry plan and management of the Ruhr coal industry. Penson stated that Foreign Secretary Bevin reserved the question of referring French views on the management of the Ruhr coal industry to the proposed American-British coal conference. Bevin also felt that at a later stage it would be necessary to envisage some discussions with France. Memorandum of conversation by Reber, August 2, 1947 (862.60/8-247).

⁵⁵ Source text included in the files of the Office of European Affairs, Division of Western European Affairs, Lot 53 D 246, file - US Policy Towards France.

feel free to take any action with reference to the military government that the War Department and State Department agree on,' he said."

The French Government interpreted these reported statements of Secretary Royall as a disavowal of the assurances which had been conveyed by you to M. Bidault in your telegram of July 21st.⁵⁶

It is impossible to reconcile Secretary Royall's statement to the press (if he has been correctly reported) with the fact that on July 19th, a message from you to Mr. Bevin⁵⁷ proposing that M. Bidault should be informed by both Governments

"that the US and UK Governments will suspend further announcements on the agreed plan for revised bizonal level of industry in Germany until the French Government has reasonable opportunity to present its views for full consideration"

was personally cleared with Secretary Royall by General Carter and Mr. Bohlen. Secretary Royall not only approved the final text of this message but had made several suggested changes in the first draft, which were accepted by you.

Furthermore, the understanding that the French views were to be received and taken into consideration before further announcement is clearly reflected in point 4 of the memorandum of understanding initialled by you and Secretary Royall on July 29th.⁵⁸ A further message was sent to Bidault on August 2,⁵⁹ after being personally initialled by Assistant Secretary of War Petersen and after agreement with the British Government. This message gave the French Government the assurance that the US Government was prepared to give careful consideration to any French representations on the level of industry plan.

The French Ambassador informed me last night that the Royall press conference had produced a situation in France which was worse than that created by the first information regarding the level of industry plan. The last message to Bidault read in the light of Royall's remarks, according to Bonnet, would only serve to confirm the impression fostered by the Communists in France that our agreement to consult meant nothing, since these events would be interpreted in France as demonstrating that although the US may have agreed to listen to the French Government it had every intention of going ahead with the level of industry plan without paying any real attention to the French views.

⁵⁶ *Ante*, p. 1003.

⁵⁷ *Ante*, p. 997.

⁵⁸ The initialled memorandum of understanding under reference here has not been found. The substance of the understandings reached between the State and War Departments is set forth in the War Department messages to General Clay, July 26 and 28, pp. 1009 and 1010.

⁵⁹ The reference here is to the communication from Ambassador Caffery to Foreign Minister Bidault, August 4, *infra*.

Secretary Royall's statement serves to demonstrate the unworkable and, indeed, dangerous nature of any such type of understanding with the War Department on matters affecting the US foreign policy. The Secretary of State with the responsibility for the conduct of American foreign policy by direction of the President, cannot be limited in foreign matters by any agreement with another Department of this Government without divesting him of the authority to carry out his responsibilities. There is an important matter of principle here involved.

It must be clearly established that any agreement reached on a technical level (in which category the Clay-Robertson agreement on the level of industry falls) cannot without serious harm to the conduct of American foreign affairs be regarded as superseding the right of this government to reconsider or modify such agreement in accordance with broader considerations. The British Government clearly takes the view that it has the right in so far as General Robertson is concerned and, in fact, proposes to reconsider this agreement in the light of present conditions. As the result of the understanding with the War Department of July 29th, this Government does not have any such free hand. While the War Department has a legitimate right to advise the Secretary of State in the formulation of policy decisions affecting our zone in Germany, it has no right whatsoever to attempt to limit in any way the manner in which the Secretary of State may wish to consult or discuss this subject with any government.

At the present moment, because of the attitude of the War Department, the United States is in an impossible position with regard to the conduct of its foreign policy. Furthermore, a dangerous impression of divided responsibilities and conflict within our government is given to the American public and the world. We are unable as a result of the present situation to live up to our assurances to the French and are exposing the United States in its relations with France to a justified charge of duplicity and dishonest dealing.

We feel that this latest incident shows there is no meeting of the minds and that we are now forced to ask for a reconsideration of our understanding with the War Department and to reassert the necessity that the Secretary of State have a right to modification of agreements reached on a technical level. The understanding with the War Department was a genuine attempt on the part of the State Department to arrive at a solution of our differences. The incident of Secretary Royall's announcement to the press points up the impossibility of conducting our foreign relations in the present condition of the world on the basis of any such understanding.

862.6362/8-847

*The Ambassador in France (Caffery) to the French Foreign Minister
(Bidault)*⁶⁰

SECRET

PARIS, August 4, 1947.

DEAR MR. PRESIDENT: AS indicated in Mr. Marshall's message of July 21, 1947,⁶¹ which I had the pleasure of conveying to you the following day, the United States Government agreed to suspend further announcement concerning the Anglo-American proposals for the revised bi-zonal level of industry in Germany until the French Government had had a reasonable opportunity to present its views for full consideration.

My Government is now prepared to give careful consideration to any representations which the French Government may care to make to it on the subject of the level of industry plan, concerning which information was communicated to the French Government in Paris on July 16. My Government would welcome an early expression of French views on the subject.

In the circumstances and in view of the desirability of avoiding any action which might tend to complicate the work of the Conference for European Economic Cooperation, it is hoped that the French Government, should they wish to raise any question about the level of industry plan, will communicate their views directly to the British and United States Governments, rather than at the Conference.

My Government is also prepared to receive and consider the views of the French Government with respect to the management and control of the coal industry in Germany, which you mentioned in your personal communication of July 17 to Mr. Marshall.⁶²

I understand that a similar communication is being addressed to you by the British Government.

I take [etc.]

JEFFERSON CAFFERY

711.51/8-547

*Memorandum by the Under Secretary of State (Lovett) for the
Secretary of State*

SECRET

[WASHINGTON,] August 5, 1947.

(1) On Saturday⁶³ evening about six o'clock Ambassador Bonnet called Mr. Lovett at home and for forty minutes expressed the greatest

⁶⁰ The source text was transmitted to the Department as enclosure 5 to despatch 9396, August 8, from Paris, not printed. This communication was delivered in pursuance of instructions contained in telegram 2868, August 2, to Paris, not printed (711.51/7-1747).

⁶¹ *Ante*, p. 1003.

⁶² *Ante*, p. 991.

⁶³ August 2.

concern over what he referred to as the "renewed crisis" in France arising out of the statements made by the Secretary of War in a Berlin press conference on August 1. He stated that the Communists had seized on the statements made by the Secretary of War as proof of the fact that this Government was not sincere in its agreement to give the French views full consideration. Bonnet said Bidault was greatly upset and that he had had three telephone calls and a long cable during the day asking the French Ambassador here to make a démarche and protest.

Bonnet's greater concern, however, was that, in the light of the French press reaction to the Berlin statements, the delivery on Monday morning to the French Foreign Office of the Department of State's cable No. 2868⁶⁴ would greatly upset Bidault. This cable, sent with signed War Department concurrence and timed for delivery at the same time with a British message of identical content, stated that "the U.S. Government is now prepared to give careful consideration to any representations which the French Government may care to make to it upon the subject of the level of industry plan," etc., and went on to say that "in these circumstances, and in view of the desirability of doing nothing to complicate the work of the Paris Conference, it is hoped that the French Government, should they wish to raise any questions about the level of industry plan, will do so direct to the U.S. and also to the U.K. Governments and not at the Conference."

This message followed up a promise made in our cable of July 21⁶⁵ in which the French Government was notified that this Government agreed to "suspend further announcement with respect to the U.S.-U.K. proposals for the revised bi-zonal level of industry in Germany until the French Government has had a reasonable opportunity to present its views in this connection for full consideration".

Lovett told Bonnet that he felt that the assurances in this message of full consideration for the French views should calm Bidault rather than excite him. Bonnet answered quite bluntly that it would, except for the fact that it seemed clear to the French, from what had been said in Berlin, that American assurances were merely a device and that there would be no true discussion or consideration but that, after the French had made their statement, the U.S. and U.K. bi-zonal commanders would go right ahead and "do what they had always intended to do". Lovett replied that cable 2868 clearly indicated that careful consideration would be given to representations and stated further that he felt that the French were evidencing more interest in

⁶⁴ Telegram 2868, August 2, to Paris, had given instructions for the delivery of the communication of August 4 to Bidault, *supra*.

⁶⁵ The reference here is to a message from Marshall to Bidault, p. 1003.

the form of conversation rather than in the substance of the problem. It was agreed that both parties would check late despatches from abroad and would consult the next day.

(2) After searching the files on Sunday morning, Lovett decided that Bonnet's concern partly arose out of a misunderstanding regarding the form the discussions were to take and he therefore called on the French Ambassador at the Embassy at noon and spent an hour and a quarter with him. Bonnet had the press clippings, notably the *Herald Tribune* of August 2, a United Press report, an INS French report, and the *New York Times* follow-up story on Sunday morning. The Ambassador was visibly upset and showed Lovett a message from Bidault⁶⁶ which constituted almost a personal appeal to the Secretary of State not to put Bidault in a position where he might lose control of the delicately balanced French political machine and thereby be compelled to withdraw from the Paris conferences on the rehabilitation of Europe.

It was repeatedly pointed out to the Ambassador that every engagement made by this Government was being scrupulously carried out and that his Government would have the next morning an invitation to start making their representations, both to the U.S. and U.K. Governments. This had no real effect on Bonnet, whose sole desire was to obtain a commitment that we would "sit down and discuss this matter with the French". He admitted that the French views had not been presented and that he was in the position of claiming that he was hurt without an occasion to point to.

The Ambassador calmed down visibly, partly because he took the personal visit as a "friendly and considerate act" and asked advice as to what steps he should take. I urged him to wire the French Foreign Office and refer Bidault to the telegram of July 21 and the precise language in it which, when read with the follow-up which was promised in the earlier telegram, ought to remove Bidault's doubts. Bonnet again said frankly that the language was clear if the intent was to discuss and not merely give the French a hearing but no consideration of their views.

Lovett urged Bonnet furthermore not to attach too much importance to the Berlin press conference, pointing out that everything in the newspaper reports indicated that it was something of a shambles and that the Secretary of War might very well have been misquoted. He said that, while that was possible, it was not likely, as the French Agency reporters were also present.

⁶⁶ Possibly a reference to the message of July 17 from Bidault to the Secretary of State, p. 991.

(3) On Monday morning at ten o'clock, at the request of the Embassy in Paris, a teletype conversation was held by Lovett with Mr. Clayton, with Ambassadors Caffery, Douglas and Murphy present.⁶⁷ In this teletype conversation, Clayton stated that he had read them the Department's cable 2868 (attached hereto) and that he (Clayton) expressed the opinion "that it would be better to have informal talks with the French on these two questions rather than request them for a formal expression of their views because political considerations would probably compel them to express in writing more extreme views than if substantial agreement could first be reached informally. Once having expressed such extreme views, it would be very difficult to change. With this, all were in complete agreement." Clayton suggested deferring the delivery of the message for a few hours until Clayton and Lovett could discuss this point. However, the British had just advised that, while they fully agreed to the desirability of this approach, they had already presented their note to the French. Under these circumstances, Caffery would deliver the U.S. note in the late afternoon.

At this point the telecommunication was interrupted by the following message: "Have just this minute been informed by British that the French have 'blown up' over the British note." The British note was, of course, identical with ours, as indicated above.

Lovett gave full background to the Paris group as outlined above and urged Caffery to calm Bidault and ask him to accept the assurances given in 2868 that any French views would receive full consideration. Clayton replied that, after getting the background just given him of the press reports and in view of British delivery of the note, he and Caffery felt that it should be promptly delivered. He stated, "Caffery confident he can persuade Bidault in way you suggest."

Bonnet called Lovett on Monday to state that he would not request an appointment with the Secretary of State but would await further advices. He indicated however that he had been warned that a message was coming through which he must present on Tuesday. He did not disclose its content but indicated that it was along the lines of Bonnet's communication to Lovett.

ROBERT A. LOVETT

⁶⁷ Under Secretary Clayton and Ambassadors Caffery, Douglas and Murphy were meeting in Paris to consider matters related to the Conference of Economic Cooperation and the Marshall Plan.

740.00119 Control (Germany)/8-547

Memorandum of Conversation, by the Chief of the Division of Western European Affairs (Reber) ⁶⁸

[WASHINGTON,] August 5, 1947.

Participants: The Secretary
 The French Ambassador
 Mr. Reber, WE

The French Ambassador called this afternoon to give the Secretary a message from M. Bidault with reference to the United States offer to give consideration to French representations on the subject of level of industry in Germany and the management of the Ruhr mines.

M. Bonnet explained the French position along the lines of the attached memorandum,⁶⁹ as follows:

(1) Since the two problems of German industry and the management of the Ruhr mines were so vital to French security and to its relations with the United States and Great Britain, the French Government cannot agree to limit its expression of views on the subject to a written presentation, but must insist upon a frank discussion.

(2) The letter which Mr. Caffery had given to M. Bidault two weeks ago ⁷⁰ had indicated that the United States Government was prepared to suspend any announcement with respect to these problems until the French Government had had the opportunity of discussing these questions with the United States and United Kingdom Governments. From this the French had believed all that was necessary was to establish the manner in which these discussions should be held.

(3) The instructions of the French delegation which was to have taken part in these discussions had been prepared, since the French Government thought it would be possible to find a basis of understanding which would permit France, without concern for its security, to continue to associate itself in the work of the Paris Conference. In the opinion of the French Government the differences of opinion between the three powers related to the method of presentation rather than to the substance of the problem.

(4) The French Government, therefore, must insist that the proposals which had been made by the American Ambassador in Paris be given effect. Given the seriousness of the situation if the American Government considers it necessary today to abandon the idea of tripartite conversations, M. Bidault is ready to proceed immediately to Washington to explain France's position directly to the Secretary of State and to set forth the consequences of any refusal to discuss these problems with the French Government.

M. Bonnet then went on to say that the French Government was aware of the necessity of including German industry and German

⁶⁸ The source text is signed by Secretary Marshall.

⁶⁹ The paper under reference, a French Embassy *aide-mémoire* dated August 5, 1947, not printed, is filed separately under 840.50 Recovery/8-547.

⁷⁰ The reference here is to the message of July 21 from the Secretary of State to Foreign Minister Bidault, p. 1003.

production in any plan for European recovery. Without this it realized that not only could any plan never be accepted by the American people and the American Congress, but it would not be a complete program for Europe, since any such must include German production. The Ambassador had been instructed, however, again to point out how impossible it would be for France to accept any program for European recovery built around an agreement with respect to German industry in which it had not participated. An agreement which had been drawn up solely by the bi-zonal commanders in relation to Germany alone could not be considered acceptable by the French people. Furthermore, his government could not place itself in the position of accepting such a program merely for the purpose of obtaining credits, however badly needed they might be.

M. Bonnet then said that the tenor of his instructions clearly showed the conviction of the French Government that an agreement in substance on these matters would be possible as a result of discussion. Everything which he had received from Paris indicated not only the desire of France to reach agreement with the United States and Great Britain in this matter, but that such agreement was definitely possible.

Without it, however, a serious situation would be faced at the meeting of the Deputies in October and at the Council of Foreign Ministers in November, as the United States and United Kingdom would have one position, France would have another, and Soviet Russia another. Although full agreement among the four was unlikely, at least agreement among the three could be achieved if properly prepared. M. Bonnet then said he wished to conclude his explanation by once again repeating that M. Bidault's offer to come immediately to Washington demonstrated the seriousness with which this question was viewed in France.

The Secretary replied that he had been informed of M. Bonnet's recent conversations with Mr. Lovett, and he wished to confirm what Mr. Lovett had told the Ambassador. In order to avoid any misunderstandings at this stage he could not at this time comment upon the Ambassador's communication. He promised to give it very careful study and to let the Ambassador know, but at this time he could say nothing more.

862.60/8-747 : Telegram

The Under Secretary of State for Economic Affairs (Clayton) to the Secretary of State

TOP SECRET

GENEVA, August 7, 1947—11 a.m.

URGENT NIACT

826. For the Secretary and Lovett's Eyes Only. At suggestion Monnet and Bidault, they had lunch with me Paris August 6, no one

else being present. I previously explained matter to Caffery who was in full agreement. Following the luncheon, I told him what was said.

Bidault said that he did not think there was very much difference between the French and US view regarding level of industry in Germany, that they would interpose no objections to any level of industry which we and the British might agree upon provided the French people had assurance that the resources of the Ruhr would not again be employed in war on France. He believed that such assurance could be had by the creation of an international board which would allocate the Ruhr production of coal, iron and steel and perhaps chemicals between Germany and other countries. After the peace treaty, such board would be composed of representatives of US, UK, France, Benelux and Germany. Prior thereto, it would be composed of the same countries minus Germany. This board would have nothing whatever to do with the administration of the Ruhr properties, its function being confined exclusively to allocation of products. Bidault thought that the board should have authority over the use of such products so far as German consumption was concerned. I pointed out the difficulty of this but said that the same purpose might be accomplished in some other way.

Bidault pointed out that France had abandoned previous suggestions regarding detachment of Ruhr from Germany, internationalization, etc., that France had no interest in the question whether the Ruhr should be nationalized or should be left in hands of private people, that France is entirely willing to leave ownership and administration with the Germans but that France must insist that access by Europe to the products of the Ruhr should not be subject exclusively to the will of the Germans as it was before the war. This seems reasonable to me.

Bidault was careful to point out that the subject was not a simple one and that it needed more study and exploration on his part but that if the two countries could promptly agree that his suggestion offered a basis for further conversations on a high level, he believed satisfactory decisions could be promptly reached.

Bidault said that frankly he could not understand the need for haste on the part of the US and the UK in reconsideration of the level of industry question at this time because whatever the decision might be it would certainly take 18 months before actual production could be increased to the level previously fixed. Hence, no harm would be done to leave the matter until after the meeting of the CFM in November. Nevertheless, he was willing to go along on a prompt decision provided France could have satisfactory assurances as indicated above.

I told Bidault that I would promptly report this conversation to you, that I would probably be back in Paris early next week at which

time we could have another talk. The whole conversation was on a very friendly and cordial basis.

I had expected that Bidault would make a strong plea for US-UK-French security pact vis-a-vis Germany but this was not mentioned.

Have discussed Bidault's suggestions very briefly with Caffery and Douglas and believe I am correct in reporting that they agree that his suggestions are reasonable and that we should accept same as a basis for further conversations.

I believe France is the key country of the 16 participating in the Paris Conference, or, at any rate, it can be correctly said that if France should withdraw or if her present government should fall as a consequence of deep dissatisfaction over decisions relating to Germany, the whole Marshall program would probably be gravely jeopardized.

Hence, I strongly recommend that we try to come to some arrangement with Bidault. He repeatedly assured me that France did not wish to block any of our plans regarding Germany.

Sent Department 826, repeated London 66 for Ambassador's eyes only, repeated Paris 67 for Ambassador's eyes only.

[CLAYTON]

711.51/8-847 : Telegram

The Secretary of State to the Embassy in the United Kingdom

SECRET

WASHINGTON, August 8, 1947—7 p.m.

URGENT NIACT

3415. For the Ambassador. As you are aware the French Government has made strong representations looking toward tripartite discussions dealing with the level of industry in the bizonal area of Germany and management and control of the Ruhr coal industry. We are now prepared to agree that these discussions should take place.

As we are informed by the British Embassy that the British Government is likewise agreeable to tripartite discussions on these two subjects, we are today sending the following message to Caffery for presentation to Bidault: ⁷¹

⁷¹ The message quoted here was sent as telegram 2953, August 8, to Paris, not printed (711.51/8-847). Telegram 3193, August 9, from Paris, not printed, reported that the message had been handed to Bidault on August 9. The telegram added the following:

"Bidault asked me to express to the Secretary his 'gratitude' as well as that of his Government for this 'most constructive step'. He said his Government will be delighted to take part in the discussions." (711.51/8-947)

Telegram 3196, August 9, from Paris, not printed, reported that a similar British communication had been delivered to the French Foreign Ministry on August 9 (711.51/8-947).

"1. I have received the message which you sent me through M. Bonnet emphasizing the importance which the French Government attaches to tripartite discussions of the level of German industry and the management and control of the Ruhr coal mines.

2. I informed M. Bonnet that the U.S. Government would give careful consideration to this explanation of the French position. This has been done and the U.S. Government is prepared to agree to meetings without delay between representatives of the U.S., U.K. and French Governments on the subject of the revised Level of Industry Plan in order that the French views may be considered and objectives of the Plan explored and explained before the Plan is finally formulated and adopted by the U.S. and U.K. Governments.

3. With respect to the management and control of the Ruhr coal mines, the U.S. Government is similarly prepared to receive and discuss the French views with the French and British Governments.

4. Proposals as to the arrangements for the discussions dealing with the Level of Industry Plan and management and control of the Ruhr coal mines will be communicated to the French Government without delay."

Caffery has also been instructed that: "Upon presentation of the note, you should explain orally to Bidault that the French Government will appreciate that in the absence of a fusion of the French zone with the U.S. and U.K. zones, the U.S. and U.K. Governments are responsible for and must take final decisions regarding the Bizonal area. At the same time you should assure Bidault that fullest consideration will be given to the French views, and stress the urgency which we attach to the earliest possible announcement of the bizonal level of industry plan."

Now that War Department has withdrawn objections to discussions⁷² we believe that the conversations with respect to the French views on level of industry in the bizonal area of Germany and management and control of the Ruhr coal mines should be held without delay and start as early next week as possible. We desire that these conversations take place in London and that you represent this Government. We have requested the War Department to appoint a top level representative of the Military Government to advise you. We hope that the European Theater Commander will be available for this

⁷² At the conclusion of the Cabinet meeting on August 8, 1947, the Secretary of State discussed the proposed tripartite London meeting with Secretary Royall. In his memorandum to Under Secretary Lovett on August 8 regarding the Cabinet meeting, Secretary Marshall recorded the exchange with Royall as follows:

"After the meeting Mr. Royall told me he had accepted my views regarding a tripartite meeting with the French in London on the Clay and Robertson level of industry agreement. In other words, he apparently approved of the meeting in London with Douglas our representative. He stated he had talked to Clay this morning and wished Hilldring to show me the record of the talk. He stated that Clay had indicated something about his resignation but he, Royall, was going to give him orders and drop further discussions." (711.00/8-847)

purpose, although this is of course a matter for the War Dept to decide. Technical advisors will be sent immediately from here.

After French views have been received and discussed, they will be forwarded to the U.S. and U.K. Governments for consideration and decision. With respect to the U.S. Government, the views of yourself and your advisors should also be forwarded.

Please discuss this procedure urgently with the British Government as we should like to inform the French without delay of the arrangements to be made.⁷³ Further instructions will follow.

For your information, in view of the importance of decisions on the level of industry we suggest conversations on this subject be taken up first and hope they may be concluded within a week, in order that it may be possible to make public announcement at the earliest possible date, which in our opinion should not be later than September 1, 1947. If the timing permits, the bizonal level of industry agreement should be presented simultaneously with its public announcement to the appropriate committee of the Paris Conference as a part of the plan for European reconstruction.

Sent to London—repeated to Paris.⁷⁴

MARSHALL

862.60/8-947 : Telegram

*The Political Adviser for Germany (Murphy) to the
Secretary of State*

TOP SECRET

BERLIN, August 9, 1947—9 p.m.

1911. Personal for the Secretary Eyes Only. General Clay received Royall's personal messages regarding latter's agreement with you on tripartite London conversations to receive and discuss French views on level German industry and management and control Ruhr coal mines. Clay informally tells me that decision is not acceptable to him and that it destroys any vestige of prestige he may still have, placing him in impossible position. He spoke with bitterness over what he considers absence of conviction and principle on part Department in this matter. He indicated that he could not agree to go to London, that of course he would designate a representative for this purpose and he would also telegraph COS regarding his immediate retirement. He

⁷³ In his telegram 4334, August 11, from London, not printed, Ambassador Douglas reported as follows:

"Talked to Bevin this afternoon. The procedure outlined your 3415, August 8, fully acceptable to British on the condition that there be no implications to the French that they will have the power of veto. In other words the talks will be held on an informal and noncommittal basis." (711.51/8-1147)

⁷⁴ Repeated as telegram 2952, August 8, to Paris.

further said that all of this would make some form of public statement by him inevitable.

I advised General Clay against such a course of action, urging that it might place him in an unfavorable light: that considerations of general policy do not involve his personal prestige; that his knowledge of subject matter and presence at London meeting would be the best guarantee of effective support of US-UK viewpoint on level of industry and Ruhr coal; and that designation of Douglas as US representative at meeting is customary routine since London post selected for obvious reasons, and that this would not place Clay in inferior position.

General Clay nevertheless seems determined to proceed with request for retirement. On other occasions in past I have felt that his expressed desire was tempered by a continuing interest in the job to which he has devoted himself so effectively and I may have been helpful then in persuading him to stay. This time he really seems to have lost interest and does not react to suggestion.

Foregoing for your personal information.⁷⁵

MURPHY

711.51/8-847 : Telegram

The Secretary of State to the Embassy in the United Kingdom

SECRET

WASHINGTON, August 12, 1947—6 p.m.

3463. For the Ambassador. As Dept is fully aware, the tripartite discussions referred to in Deptel 3415 of Aug 8⁷⁶ pose questions of procedure and substance which it may be difficult to resolve. As indicated in Deptel 3415, every effort should be made to conclude the discussions regarding level of industry within one week, in order that it may be possible to make public announcement at the earliest possible date, which in our opinion should not be later than September 1, 1947.

⁷⁵ The Secretary did not reply to this telegram. In telegram 4339, August 12, from London, not printed, Ambassador Douglas expressed his concern at Clay's intention to retire and expressed the hope that Clay would not carry out his intention and would attend the forthcoming tripartite meetings in London as an adviser (862.60/8-1247). In telegram 3457, August 12, to London, Secretary Marshall replied to Ambassador Douglas as follows:

"Situation mentioned urtel 4339, August 12, has arisen on frequent occasions in the past. I feel that this is entirely a matter for War Dept. decision and that this Dept. should not inject itself in the matter. For your own info we have stated to the War Dept. that we considered Clay's presence as an adviser at the London talks important therefore we have no objection whatever your expressing your own views and desires to him on personal basis." (862.60/8-1247)

Telegram 1994, August 19, from Berlin, not printed, reported that General Clay had been personally requested by Secretary Royall to attend the London meetings (862.60/8-1947). The Department of State subsequently authorized Murphy to accompany Clay to London.

⁷⁶ *Ante*, p. 1024.

PART I.—LEVEL OF INDUSTRY DISCUSSIONS

1. The purpose of the discussions is to give the French Govt an opportunity to express its views on the new level of industry for Germany agreed upon by the US and UK zonal commanders. Whereas the French should be accorded every opportunity to make a full statement of their views in writing and orally, you should make it clear that in the absence of a fusion of the French zone with the US and UK zones, the US and UK are responsible for and will take final decision on all matters regarding the bizonal area. You should explain the objectives of the plan for the level of industry agreed to by Generals Clay and Robertson and be prepared to furnish such information as is requested and may be necessary to a full understanding of the plan.

2. You should support vigorously the level of industry agreement reached by Clay with Robertson and defend it against any suggestions from other nations for modification. If in your judgment there is a genuine threat to the success of the European economic plan or if democracy in France will be threatened unless changes are made in the new level of industry agreement, you should transmit to the Dept the views of yourself and your advisors, together with the French and British views. Final determination of the US position will be coordinated with the War Dept here.

3. The questions of resumption of reparations and the rate of reactivation of German industry should not be discussed unless you receive later instruction regarding these subjects.

4. If the French should propose a discussion of international ownership or management of Ruhr industries as a condition to their acceptance of the bizonal level of industry agreement, you should point out that "acceptance" is not involved, and that, further, the issue raised by them has such broad implications to the German settlement generally that it can only be discussed at or after the November CFM Meeting. However, if the French propose an International Board with allocating functions only, or if the French raise other questions concerning political or economic security guarantees, you should not comment but immediately transmit the French proposal to the Department with your comments.

5. If a question arises concerning arrangements for adherence by the French to the bizonal agreement, you should repeat the US position that such adherence continues to be desired by your Government and that a formal French proposal will be welcomed. However, decision on bizonal level of industry cannot be delayed pending receipt or discussion of any such proposals.

6. If the French should raise the question of the transfer of the Saar you should reply that it is your understanding that this subject is being dealt with through diplomatic channels and that you have no instructions to discuss it.

PART II.—MANAGEMENT AND CONTROL OF RUHR COAL MINES

7. We hope it will be possible for you to conclude the level of industry talks before getting into the subject of the management and control of coal. Further instructions concerning discussions on the latter subject will be transmitted to you. It is possible, in light of what Bidault has told Clayton, that the French will not wish to spend much time on the coal management problem, and possibly not much on the control question.

PART III.—PUBLICITY

8. It will of course be necessary to issue some communiqué at the close of the talks in London. This will certainly be important from the point of view of the French. It will be helpful to have your suggestions when the time comes as to the type of communiqué to be issued, for clearance in advance by Dept.

MARSHALL

862.60/8-1347 : Telegram

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

TOP SECRET

PARIS, August 13, 1947—1 p.m.

URGENT NIACT

3239. For Lovett from Caffery, Douglas and Clayton.

(1) We met last evening personally and wholly informally with Bidault and Monnet, at their suggestion, for about four hours. The subject discussed was level of industry and Ruhr.

(2) Bidault explained that the French Govt sought the following:

(a) A device which would insure that the Ruhr industrial capacity would never again be used for military purposes against France.

(b) A device which would assure French people that access by Western Europe to production of Ruhr would not be subject exclusively to the will of Germany as in the past.

(c) Withholding of publication of level of industry until CFM meeting. In this connection Bidault argued that there was no need for publication now, that inasmuch as we had taken position re Saar that quadripartite action was a prerequisite, we were on invalid legal grounds in proposing a new bizonal level of industry.

(3) Bidault said that without assurances on two (a) and two (b) the proposed level of industry for the bizonal area would be a shock

to the French people, would confirm the Communist charges that US and UK were anxious to rehabilitate Germany ahead of other European countries, particularly France, but that with assurances as to two (a) and two (b) France would not want to hold down production in Germany.

(4) We explained to Bidault several reasons which made it necessary to publish a revised level of industry for Germany:

(a) to form a basis for comprehensive European program which could not, we believed, be formulated without estimate of Germany's production and contribution.

(b) to assure our people and Congress that every possible step was being taken to relieve US as soon as possible of the financial burden of supporting Germany and other European countries whose recovery was so intimately associated with German production.

(c) to hold out promise to German people that through increased production their standard of living would rise as European recovery proceeded. Failure to hold out such promise might mean that Germany, or at least parts of Germany, would fall under Communist influence and that accordingly the present frontier might be pushed westwards to the French boundary.

(5) Clayton recalled the conversation he had had with Bidault and Monnet last week and asked whether in accordance with that conversation an international board to allocate production of Ruhr among western countries would not be satisfactory. Bidault retreated from what Clayton understood his former position to be and said that the French people were concerned about status of Ruhr. He referred in confused way to something similar to TVA but insisted that he did not have in mind international control over Ruhr management and repeated many times that acceptance of level of industry was contingent upon assurances as to two (a) and two (b) above.

(6) We explained: (a) that speaking personally, any complicated system of control would raise many questions and that it would probably not be acceptable to US, (b) that, though views expressed were purely personal, simple international board with authority over allocation might be approved.

(7) Finally, Bidault admitted that question was not one which rested on logic but rather on internal French situation. He said that publication level industry now would be disastrous here, would endanger democracy in France unless prior agreement was had on status of Ruhr. When asked how this could be done and what he had in mind and, again, whether a board to allocate would not be satisfactory, he replied that he would have to consider matter further and consult government, but would have answer in 24 hours.

(8) We fear that meeting on level industry in London as planned without advance agreement on matter with which Bidault is so con-

cerned will produce violent French opposition to level of industry. This, associated probably with publicity, will, we believe (a) put US position of proceeding in face of strong French dissent and otherwise prove embarrassing to US (b) freeze the French position and make it difficult for them later to go along and (c) might involve possible risk, if we decide to go ahead over French opposition, of the fall of present Govt and at least loss of enthusiastic French support and leadership in the European program.

(9) We have meeting with Bidault and Monnet again. We hope you will agree that (a) further conversations be had here to determine what French have in mind, to whittle it down to minimum and to transmit to Dept, (b) no date now be fixed for contemplated London meeting, and (c) you will be promptly informed. We believe that if agreement be had on what French consider basic there will be little difficulty on level of industry and its early publication, though on this point we would want a firm commitment.

(10) Pending advice from you Deptel 2993 August 12⁷⁷ is not being transmitted to French Government.

CAFFERY

862.60/8-1447 : Telegram

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

TOP SECRET

PARIS, August 14, 1947—noon.

NIACT

3263. For Lovett from Douglas, Caffery and Clayton. We spent two hours yesterday with Bidault, Monnet, Alphand and Couve de Murville. Our discussions were continued on a wholly personal and informal basis.

Bidault outlined his idea of a device which would satisfy France on points two (a) and two (b) of our telegram No. 3239.⁷⁸ He proposed an international board which prior to the peace treaty would be composed of representatives of the US, UK, France and Benelux with the addition of Germany when peace is made. This board would allocate Ruhr coal, coke and steel as between Germany and export and through the exercise of its powers of allocation would limit German consumption to peaceful uses. He further proposed during the period of occupation of Germany that the board should be substituted for the bizonal authorities in the supervision of the management of the Ruhr properties.

⁷⁷ Not printed; it instructed Ambassador Caffery to inform the French of the American suggestions regarding procedure for tripartite conversations in London and secure from the French agreement to the earliest possible meeting in London (711.51/8-1147).

⁷⁸ *Supra.*

We pointed out to Bidault that what we were talking about was some device to satisfy France on the security angle of the Ruhr and that France could hardly have any fears respecting the Ruhr during the period of occupation, hence, should be concerned only with that period beginning with the time when Germany would again be in control of her own affairs; furthermore, that the US could hardly agree to any device which would give a vote in the operation of the German economy to states which paid no part of the resulting deficits. After some discussion Bidault and his advisors were compelled to admit the force of both arguments, and in the end, it was agreed that we were discussing the following:

The US, UK and France would agree to support the inclusion in the peace treaty of a provision to the effect that an international board composed of representatives of the US, UK, France, Benelux and Germany should be established with the power of allocation of Ruhr coal, coke and steel as between Germany and other countries, controlling through the exercise of such power the peaceful use of such products by Germany.

Obviously, this formula removes entirely any question regarding international control of the Ruhr during the period of occupation. Bidault said that he assumed in case there should be a fusion of the French zone with the bi-zone that the French commander would then have a voice in the operation of the Ruhr properties. We said that we could hardly conceive of anything else but that of course all such matters would be the subject of negotiation in connection with such fusion just as the US and UK had negotiated the conditions surrounding the fusion of their two zones.

Bidault raised the question of power to enforce decisions of the proposed board. We said that we assumed that power to enforce such decisions would be provided for in the peace treaty in the same way as power to enforce other conditions of the treaty such as sanctions, etc. Bidault is almost sure to insist on some agreement on this point.

Bidault also said something about trusteeship of the Ruhr properties but we said that we could not discuss that question and insisted that our discussions be kept within well defined limits and on as simple a basis as possible because the subject was difficult enough in any case. All seemed to agree to this and Bidault suggested that we should start trying informally to draft something for presentation to our respective governments. We agreed to this and will attempt to send you something later today. We pointed out the tightness of the time table especially in view of the fact that some statement will be expected soon regarding the proposed London meeting.

This will be followed immediately by another cable with our recommendations in consultation with Martin and Jacobs who are here.⁷⁹

CAFFERY

862.60/8-1447 : Telegram

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

TOP SECRET

PARIS, August 14, 1947—5 p.m.

NIACT

3270. From Caffery, Clayton, Douglas to Lovett.

1. For reasons stated in ourtel 3239, August 13,⁸⁰ as supplemented by ourtel 3263, August 14,⁸¹ we see no practicable alternative to negotiations with the French along lines indicated in ourtel 3263 of August 14.

2. We recommend therefore that the US should tell the French:⁸²

(a) that the US is prepared to join with them and the UK in support of inclusion in a binding international agreement in connection with the peace settlement with Germany (presumably the peace treaty or the disarmament and demilitarization treaty) of articles providing for the establishment of an international board, composed of representatives of US, UK, France, Benelux and Germany, with power to allocate Ruhr output of coal, coke and steel between German internal consumption and exports, the allocations for German consumption to be adequate to meet Germany's legitimate economic interest in a reasonable standard of living, but for peaceful purposes only in accordance with demilitarization and disarmament measures which are agreed in the peace settlement.

(b) that the US agrees that provisions for adequate power to enforce by sanctions or otherwise the decisions of the board should be incorporated in the general enforcement clauses of the international agreements referred to above.

(c) that we are prepared to draft with the French and UK a broadly phrased public statement incorporating the substance of the above position.

(d) in consideration for US support of these points, the French will be expected to agree not to object to the revised level of industry agreement or to its early publication after consultation with them and

⁷⁹ Edwin Martin and George Jacobs, experts in the Department of State on German economic affairs, were detailed to serve on Ambassador Douglas' staff at the forthcoming tripartite talks in London.

⁸⁰ *Ante*, p. 1029.

⁸¹ *Supra*.

⁸² In telegram 857, August 15, from Geneva, not printed, Under Secretary Clayton reported that Ambassador Caffery, Ambassador Douglas, and he spent three hours the previous evening with French Foreign Ministry officials Monnet, Couve de Murville and Alphant discussing a draft of a memorandum which could be presented to the respective governments for consideration in trying to reach agreement regarding the Ruhr question. The American position in these discussions followed closely the recommendations set forth here in paragraphs (a), (b), and (d). (862.60/8-1547)

to agree to begin negotiations for the purpose of adhering to the bizonal fusion agreement not later than the close of the November CFM meeting, unless such meeting results in quadripartite unification.

3. We consider this to be in line with the Secretary's statement on the Ruhr at Moscow, and therefore should be approached affirmatively as potentially an important contribution to the solution of one aspect of the German settlement, the importance of which has long been recognized. The proposal leaves open the question of the role of the USSR in such a decision until formal negotiations begin, which can be put off as long as the Department wishes to postpone an open and formal break with USSR on this point.

It is felt that Benelux representative will help US and UK protect German standard of living against unduly harsh French action.

Prompt adherence by France to bizonal fusion, though essential, is only a temporary arrangement for giving the French a voice in German allocations, and completely fails to meet the French problem because they are concerned above all with agreement to an arrangement which has at least the appearance of a permanent guarantee against the use of the Ruhr resources in a way which is contrary to the legitimate interests of France.

4. If action can be taken promptly along these lines, anticipate no important problems with French on level of industry, and considerably fewer problems in connection with Paris discussions of Marshall plan on rate of reactivation of German industry. Otherwise French position at London level of industry conference apt to be bitter and result of conference will be only to freeze publicly French opposition to US and UK on German level of industry and rate of reactivation issue.

5. If you can agree to our proposal suggest that it be fully discussed with UK and if UK agrees, we privately prepare with UK and French a statement for publication which can be submitted to the respective governments and, after approval, issued simultaneously with announcement of the revised level of industry. Suggest this statement might be along following lines:

"The Governments of the US, UK and France have agreed that it is necessary to the peace and security of Europe that in connection with the German peace settlement there be established by international agreement an international board, on which Germany shall be represented, with authority to allocate coal, coke and steel produced in the Ruhr between Germany's internal requirements for legitimate peacetime economy, and exports, and have agreed that there must be incorporated in an international agreement provisions which establish means for the enforcement of the decisions of such a board."

6. Douglas returning August 15 and will give Bevin full account of discussions here.⁸³

7. This cable concurred in by Martin and Jacobs.

Sent Department as 3270, repeated to London as 629.

CAFFERY

862.60/8-1347: Telegram

The Acting Secretary of State to the Embassy in France

TOP SECRET

WASHINGTON, August 14, 1947—8 p.m.

URGENT NIACT

3031. For Clayton and Caffery.

(1) French preoccupations concerning the Ruhr as set forth by Bidault and Monnet have repeatedly been explained to us by the French and constitute the reasons for our willingness to agree to tripartite discussions requested by Bidault (Refurtel 3239⁸⁴). In his recent conversations at the Dept Bonnet has set forth the same preoccupations in similar detail.

(2) The US is fully aware of the French concern with respect to the objectives set forth in paragraphs 2(a) and (b) of your telegram under reference. For the period prior to the establishment of a German govt accepted by the occupying powers these objectives are assured through Allied occupation of Germany. Furthermore, during the occupation period the fusion of the French zone with the US-UK zones would enable France to participate in the attainment of these objectives.

(3) The US is in sympathy with the French objective set forth in paragraph 2(a) and has proposed a method of dealing with the problem of military security through controls established under the terms of the disarmament and demilitarization treaty. The terms of this treaty are currently under review in the light of discussions which

⁸³ In his telegram 4445, August 15, from London, not printed, Ambassador Douglas reported that, in the absence from London of Foreign Secretary Bevin, he had informed officers of the British Foreign Office of the American-French informal discussions in Paris. Douglas reported that the British attitude was as follows:

"A. At the appropriate time and in the appropriate documents respecting the peace settlement with Germany, some device which will satisfy their concern over the production of the Ruhr and the status of the Ruhr must be provided for.

"B. To reach an agreement with the French in principle even along the lines suggested as a result of the discussions in Paris at this particular time would be premature and would be in the nature of paying the French too high a price for their acquiescence in level of industry." (862.60/8-1547)

⁸⁴ *Ante*, p. 1029.

took place at the CFM meeting in Moscow and in the expectation of renewed discussions at the forthcoming CFM meeting. The United States is convinced that this or some other method must be devised to accomplish this end.

(4) We likewise understand the French concern with respect to 2(b) for the period following the establishment of a German govt. At Moscow on April 10, 1947 the Secretary of State recognized the necessity of taking appropriate measures to resolve the question of how to assure the equitable employment of Ruhr resources in the interests of European states including Germany, and of considering special provisions for the overseeing of these resources.⁸⁵ At that time he pointed out that the economic questions raised by the Ruhr concentration are equally relevant to the Silesian concentration and indeed to others. He put these questions as follows: (1) during periods of acute shortages how are basic commodities such as coal and steel to be equitably shared; and (2) how are countries within whose boundaries concentrations of basic resources are to be found to be prevented from imposing restrictions which limit the access of other countries to these resources. This explanation of the US position was made during discussions dealing with a united Germany, but these questions still remain unresolved and continue to be a matter of concern to this country. We must obviously consult with the British at appropriate time concerning French proposal set forth in urtel 3263⁸⁶ supplemented by urtel 3270⁸⁷ and see no useful purpose in pursuing this matter further in Paris at this time after you have indicated view set forth this telegram. If the French desire to raise this matter we have no objection to hearing their views during London talks and prior to announcement of level of industry provided presentation of their views would not delay discussion and announcement of level of industry. Since this question involves the matter of treaty which will be negotiated at undetermined time in the future no decision on French proposal can be made during the London talks. At the appropriate time in the future we shall be glad to continue discussion of this matter with the French. For your info our policy in respect to control of the Ruhr in the latter period has not yet been resolved.

(5) With respect to paragraph 2(c), the withholding of the publication of the level of industry until the CFM meeting, we cannot agree to this delay for the reasons set forth by you in paragraphs 4(a),

⁸⁵ The statement by the Secretary of State under reference here was made at the 25th Meeting of the Council of Foreign Ministers, Moscow, April 10, 1947; for the Secretary's report on that meeting, see telegram 1297, Delsec 1414, April 10, from Moscow, p. 323.

⁸⁶ *Ante*, p. 1031.

⁸⁷ *Supra*.

(b) and (c). In our opinion it is essential that decision in this respect be taken as promptly as possible and announcement of new level of industry be made.

(6) Furthermore we cannot understand the necessity of postponing the tripartite discussions which we hoped could be held in London without delay. We had agreed to these discussions at the urgent request of M. Bidault in order to afford the French govt an opportunity to put forward their views both to the US and UK as both govts share responsibility for the bizonal area. We feel ample opportunity would be provided by these discussions for full consideration of the French views as explained to you by Bidault and Monnet. We had further been given to understand by the French Ambassador that it was the view of the French govt that agreement in substance would be possible as a result of these discussions. We therefore expect that the French will now agree to the earliest possible date for these talks in London which should take place not later than early next week. For your info as you recall Douglas has been informed that we expect to announce the level of industry agreement by Sept first, so time is of the essence.

Repeated to London for the Ambassador.⁸⁸

LOVETT

862.60/8-1547 : Telegram

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

SECRET

WASHINGTON, August 15, 1947—8 p.m.

URGENT

3524. Several days ago the Brit Emb gave us an urgent message from Bevin⁸⁹ with respect to proposals for future arrangements for the control of Ruhr industries which the Brit Govt wished to lay before the Paris Conference. Mr. Bevin expressed the hope that the US Govt would agree that the Paris Conference approve: (a) a speedy settlement of the problem of the future of the Ruhr Basin and the coal, iron and steel industries situated therein, is essential to the recovery of Europe; (b) it is recognized that those controlling powers which are represented at the Conference cannot by themselves make commitments as regards the future of the Ruhr and its industries; (c) nevertheless, subject to suitable safeguards for security, it is of first importance that the coal, iron, and steel industries of the Ruhr should be placed under international control with some form of public ownership in order that

⁸⁸ Repeated to London as telegram 3499.

⁸⁹ The message under reference was presented orally to Samuel Reber by Hubert Penson of the British Embassy on the afternoon of August 11.

their resources may be used for the benefit of Europe as a whole, including Germany.

As stated in our tel 3031 Aug 14 to Paris ⁹⁰ rptd to you as 3499 we believe that during the period prior to the establishment of a German Govt accepted by the occupying powers the present control of Germany provides the necessary safeguards and no further mechanism is required. With respect to the subsequent period when a German Govt has been established it is our opinion at the present time that such arrangements are a matter for decision in connection with the Peace Treaty to be later negotiated. Just as we have informed the French we should be glad to discuss this matter at an appropriate time after the London talks we would suggest the same procedure in respect to the Brit proposal.

We would prefer that our reply to Mr. Bevin's message be made by you along the foregoing lines.⁹¹ When ample time has elapsed for you to have made communication to the Brit Govt we shall inform the Emb here.

LOVETT

862.60/8-1547 : Telegram

The Acting Secretary of State to the Embassy in France ⁹²

TOP SECRET

WASHINGTON, August 18, 1947—10 p.m.

3076. For the Ambassador for Clayton from Lovett. Regarding French request for reconsideration revised level of industry in event quadripartite unification CFM November (ref Geneva's NIACT 857 and our 1022 both repeated Paris and London ⁹³) you cannot assure French that matter will be reviewed; however the announcement of a

⁹⁰ *Supra.*

⁹¹ In his telegram 4462, August 18, from London, not printed, Ambassador Douglas reported that he discussed this telegram with Foreign Secretary Bevin on the morning of August 18. Douglas described Bevin's reaction as follows:

"He agrees thoroughly and feels that while we should at the tripartite meetings express sympathy with the French concern and say that we are prepared to consider the problem with understanding at some other time, it is not an appropriate subject for the conference. Moreover, he feels that precisely the same position should be taken at the Paris Conference. Stated differently, it is his belief that we should not, either for the purpose of obtaining French acquiescence on the level of industry or for the purpose of satisfying, at the Paris Conference, French apprehensions, pay any price whatsoever except to indicate future sympathetic consideration of the question." (862.60/8-1847)

⁹² This telegram was repeated to London as 3551 for the Ambassador and to Berlin as 1705 for Murphy and Clay.

⁹³ Telegram 857, August 15, from Geneva, not printed, reported that the French request referred to here had been made during a meeting of Clayton, Caffery, and Douglas with French Foreign Ministry officials (862.60/8-1547). Telegram 1022, August 17, to Geneva, to Clayton, not printed, stated that an answer to the French request would be forthcoming following consultation with the War Department (862.60/8-1547).

new bizonal level of industry does not necessarily preclude review if circumstances should make such review advisable. Question of whether and how this and other acts of bizonal area, French zone and Soviet Zone will be reviewed will depend upon situation as develops to and at November CFM and upon scope unification agreement, including effective reciprocal undertakings. This statement should be given during talks in London rather than at Paris.

LOVETT

Editorial Note

In a note from Soviet Chargé Tsarapkin to Acting Secretary of State Lovett dated August 18, 1947, the Soviet Government took note of the forthcoming tripartite level of industry conversations in London and expressed the view that decisions on such matters could be taken only with the agreement of the four powers occupying Germany; for the text of the note, see *Germany 1947-1949*, page 362, Department of State *Bulletin*, September 14, 1947, p. 530, or *Documents on International Affairs, 1947-1948*, page 623.

862.60/8-1947 : Telegram

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

SECRET

PARIS, August 19, 1947—5 p.m.

3316. From Caffery, Clayton and Douglas.

1. Have conveyed to French our desire to postpone further Ruhr discussions reasons given in London's 4445⁹⁴ and Deptel to London 3533⁹⁵ and 3499⁹⁶ and arranged for tripartite talks to start on August 22, French being unable start sooner.

2. Douglas hopes to hold discussions continuously including Sunday until level of industry discussion is concluded. He is attempting with use Martin, Jacobs and others to reach agreement with UK Foreign Office on details of agenda, the way in which we will deal with any questions which French may raise in London in accordance with Department's instructions, and tentative draft official communiqué so that we may meet French with unified position. Will report fully.

3. Fully realize importance level of industry announcement on or about September first.

4. Douglas appreciates approval of request for permission to take sympathetic attitude toward French proposal on international allo-

⁹⁴ Not printed, but see footnote 83, p. 1035.

⁹⁵ Not printed.

⁹⁶ Same as telegram 3031, August 14, to Paris, p. 1035.

cation board suggestion and to agree to discussion at appropriate time and place.

5. We recommend that Douglas be given authority at conference to say to French that the appropriate time for holding a meeting of US, UK and French representatives to reach at least preliminary agreement and possibly to agree on a public statement on this question is immediately after the London talks. We urge that you reach early decision in broad terms on US policy in this matter to make such a procedure feasible.

6. Consider tripartite meeting of minds along lines Paris Embtel 3270⁹⁷ would be important step forward along difficult road of agreement on German settlement. If at same time, important contribution can be made to strengthening present French Government, it appears to us difficult to justify delay in reaching decision on US policy which must be made in near future in any case.

The question of disposition of products of Ruhr is one of the central facts in preparation of European program at Paris conference. If French do not have at least preliminary understanding with US and UK, it is not likely that they will alter figures for steel production in France which follow generally the Monnet plan. This, in turn, will affect the program, distort it violently, and make it unrealistic in the following respects: The production of French steel, the production of fertilizers, the employment of manpower, French agricultural production, and both French and bi-zonal balance of payments and possibly balance of payments of other countries.

In this connection would appreciate Department views on our analysis of importance of this issue in French political scene and of the threat to accomplishment of original purpose of London tripartite conference, and the freezing of French antagonism to our German economic policy which would follow failure to make any effort to meet it in near future. (Paris 3270). We are convinced that on every score it is essential that we be authorized to proceed with discussions with French and UK along lines of previously reported talks in order at least to arrive at preliminary understandings as to allocating board for Ruhr production.

7. If you can approve indicating to French our willingness to discuss matter in the immediate future, will seek UK concurrence in this course of action. Suggest following amended form of statement discussed with French last week as basis for your consideration.

"Preamble:

The objective is, on the one hand, to insure that the Ruhr can never again be used as an instrument of aggression and, on the other, that

⁹⁷ Dated August 14, p. 1033.

access to the products of the Ruhr shall not be at the exclusive will of Germany, as in the past.

1. Accordingly the United States, France and the UK will join in support of inclusion in a binding international agreement in connection with the peace settlement with Germany (presumably the peace treaty or the disarmament and demilitarization treaty) of articles providing for the establishment of an international board composed of representatives of US, France, UK, Benelux and Germany, with power to allocate Ruhr output of coal, coke and steel between German internal consumption and exports, so as to insure that the allocations for German consumption are used for peaceful purposes only in accordance with demilitarization and disarmament measures which are agreed in the peace settlement, these allocations to be made (a) to meet the problems presented by critical shortages of those products in Europe, or (b) with due regard to price, and most efficient use. (Note: From (a) to (b) is underlined.) The allocations made for German consumption shall be adequate to meet Germany's economic needs for a reasonable standard of living.

2. US, France, and UK agree that provisions for adequate powers to enforce by sanctions or otherwise the decisions of the board should be incorporated in the international agreement referred to above.

The US will draft with France and UK a broadly phrased public statement incorporating the substance of the above position.

France will agree to begin negotiations for the purpose of adhering to the bi-zonal fusion agreement not later than the close of the November CFM meeting unless such meeting results in quadripartite unification."

Our immediately following telegram,⁹⁸ giving particulars of our discussion with Bidault this afternoon, confirms the recommendations herein made.

Sent Department, repeated London as 644.

CAFFERY

862.60/8-1947: Telegram

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

TOP SECRET

PARIS, August 19, 1947—6 p.m.

3319. For Lovett from Clayton, Caffery and Douglas. We called on Mr. Bidault this afternoon and explained that we had received instructions from you to postpone further discussions on the Ruhr question until some more appropriate time; that the subject was not a simple one but involved agreement not only with France and the UK but between departments in Washington and that obviously this would take considerable time. We added that it was the desire of the Department to proceed with the London Tripartite Conference immediately

⁹⁸ See telegram 3319, August 19, from Paris, *infra*.

but that we were authorized to say to Mr. Bidault that at some more appropriate time we would be glad to give sympathetic consideration to the French position on the Ruhr.

Mr. Bidault's first reaction was one of great disappointment and even chagrin. He said that no French Government, neither the present one nor any succeeding one, could agree to a revised level of industry for Germany, without some assurances as to French security and access by Europe to the products of the Ruhr.

After considerable discussion, however, and after assuring Bidault that France was at liberty to present its point of view regarding the Ruhr at the London meeting and that at some later and more appropriate time we would continue the discussions with the view of arriving at an understanding on the Ruhr, he seemed to be more reconciled. We said to Bidault that we would recommend to the Department that such discussions take place as soon as possible after the London meeting. We also said that we would recommend that the form of the announcement of the revised level of industry following the London conference should take into account the legitimate interests of France in the subject not only as to the level of industry but as to settlement of the Ruhr question. Since Bidault had continuously referred to the revised level of industry decision as a priority for Germany we said that we would recommend that the announcement would also deal with this aspect of the matter in a way to meet this objection so far as possible. We of course made it clear to Bidault that the level of industry had nothing necessarily to do with the level of production but he always replied that the two are the same in French opinion and that the revised level of industry will be considered by French people as "hope for the Germans and fear for the French".

Sent Dept as 3319, repeated London for Douglas as 645.

CAFFERY

862.60/8-1947 : Telegram

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

SECRET

LONDON, August 19, 1947—9 p.m.

URGENT NIACT

4500. For Lovett from Douglas.

1. Martin and Jacobs have reviewed my instructions on tripartite talks with Hoyer-Millar, who will be principal Foreign Office adviser to Jenkins, the British delegate. I will see Jenkins when latter returns to London tomorrow.

2. In general there is complete agreement on agenda and approach to French.

3. It was stated that Sholto Douglas had decided today to come since Clay was coming.

4. In response to invitation of UK Ambassador in Paris to talks French stated their delegate would be Alphand and French [apparent omission] can be present only when he can be spared from European recovery conference.⁹⁹ UK not disposed to press French since they consider Paris talks far more important. Our strong desire to start no later than 21st was expressed. (As Paris telegram told you French have agreed now to start 22nd.)

5. To my surprise Hoyer-Millar stated that UK Government has not approved bizonal agreement reached by Clay and Robertson and that it therefore has no agreed status as I had understood. The UK Government objects strongly to the preamble as being too narrowly addressed to Germany. I agreed with this and had already started Martin and Jacobs working on minimum revisions to meet expected French criticism. However, I now find that in view of UK objections, the French have only been given the figures and not the text. I consider it important that US-UK agreement be reached promptly on a preamble stating the objectives of the revision. Such a statement should help materially with the French. Can you authorize me to initiate at once discussions with British on this subject? Agreed draft would be for your approval. Would expect OMGUS-War representatives to participate in these discussions and be free to submit separate views. UK also objects to failure to provide for retention of capacity in prohibited industries as was provided in report of bipartite working party on level of industry revision. UK requests US Government to agree to original recommendations of working party. They are particularly interested in the import saving resulting in aluminum, magnesium and beryllium. May I have your instructions on this point also for discussion with UK on same basis as preamble? In response to General Clay's objections to this step the UK takes the view that British representative in CORC had indicated that his agreement to prohibition production these industries was made with specifically expressed reservation that it depended on satisfactory agreement on level of industry and economic unity. UK add that they feel we both are engaging in breach of Potsdam (because Russians have previously broken it) and since spirit of Potsdam is broken it seems futile to

⁹⁹ René Massigli, the French Ambassador in London, was subsequently designated the French delegate to the London tripartite talks.

allow ourselves to be obstructed by fact that two separate meetings of CORC are involved. They indicated that it was their belief that US commercial interest was involved. We denied this strongly indicating our belief that US position was determined by General Clay's belief he was obligated by separate CORC agreement with Russians on this point.

6. British insist that this plan be final one for bizonal area so far as reparations concerned and not be subject to change by quadripartite action in event of agreement on unification at November CFM. They take position and have so informed French that in this event quadripartite level of industry might be negotiated but it would have to be on basis of acceptance present revision as final status bizonal capacity for reparations purposes. They have promised to give us a draft which will embody the view that present agreement determines finally what industry will be left in bizonal area and establishes maximum removals to be made for reparations. They consider its finality to represent large part of its immediate value in bizonal area.

7. Notes received yesterday from Benelux countries were read and Hoyer-Millar said similar notes had been presented in Washington and Paris. UK suggested that question of inviting Benelux views be first item on agenda of talks, with the US-UK position being to supply them with the figures and agree to consider their written comments if received before final US-UK decision is reached. There is no suggestion that they attend talks. It was agreed to transmit this view to Washington but it was pointed out that it was not clear why France should be consulted on Benelux invitation. I think that if we press them UK will agree to make the decision on Benelux a US-UK one. They feel strongly that there is a real Benelux interest in such matters and see no harm in giving them an opportunity to present views. I agree. Would appreciate prompt instructions.

8. British indicate only paper about which further US-UK negotiations unnecessary in their view is bipartite paper to be given us tomorrow morning. This document does not contain preamble.¹ We do not know yet whether differs in other respects from documents received from Washington.

Repeated Paris 463 and USPolAd Berlin for Murphy and Clay as 306.

DOUGLAS

¹ The reference here is to the Revised Level of Industry Plan which was subsequently circulated at the tripartite American-British-French talks in London as document TT/P(47)1, August 22, 1947, not printed.

862.60/8-1947: Telegram

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

SECRET

WASHINGTON, August 21, 1947—7 p.m.

URGENT

3609. Identic notes from Benelux countries of nature described paragraph 7 urtel 4500, Aug 19,² received here yesterday. It is our intention to inform the Paris Conference of any revised level of industry plan as soon as it has been decided by the US and UK Govts and simultaneously with its announcement. We can further agree that US-UK could individually keep these interested Govts informed during the London talks, but this should be a US-UK not a tripartite decision. Should these Govts wish to present written comments it must be understood that in receiving these views we cannot agree thereby to any delay in the announcement September first of the level of industry plan.

LOVETT

862.60/8-1947: Telegram

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

SECRET

WASHINGTON, August 21, 1947—8 p.m.

3616. From War and State for Clay and Douglas. Reur NIACT 4500³ we had understood agreement made by Clay and Robertson to be acceptable to UK Government which has not raised questions previously. Body of plan as agreed on between Clay and Robertson is plan to be laid on table for discussions with French. With respect to preamble, we can agree this might well be reworded. Preamble should set forth clearly that objectives of new level of industry plan among others are (1) to enable Germany to make its contribution to a coordinated program of European economic recovery but in a way as to preclude the revival of German military power; (2) to create a self-supporting German economy and a tolerable standard of living conducive to the growth of democracy; (3) to provide a firm basis for listing plants to be retained in Germany and those plants available for removal as reparations; (4) to correct the inconsistencies and assumptions (especially unification of Germany) in the old level of industry plan of March, 1946 which have subsequently failed to materialize. Question raised by British concerning retention capacity in prohibited

² *Supra.*³ *Ante*, p. 1042.

industries should be negotiated between Clay and British Zone representative, we relying Clay's judgment.

Change in preamble also should be negotiated on same basis as original agreement, namely, by the Zonal Commanders.

At opening tripartite meeting Sept should be informed we expect announcement will be made Sept 1.

LOVETT

840.50 Recovery/8-2147

*Memorandum of Conversation, by the Associate Chief of the Division
of Western European Affairs (Wallner)*

[Extracts]

SECRET

[WASHINGTON,] August 21, 1947.

Participants: The French Ambassador, Mr. Bonnet
 The Acting Secretary, Mr. Lovett
 WE—Woodruff Wallner

The French Ambassador made a farewell call, at his request, on the eve of his return to Paris for consultation.

Turning to the tripartite level-of-industry conversations, the French Ambassador said that he had received very bad news by telephone from Paris and he was most fearful of the failure of the talks. He asked Mr. Lovett if he had anything to tell him. The Acting Secretary said in reply that conversations were opening tomorrow and that he for one had no intention of prejudging their substance or result. He added that Messrs. Bidault and Monnet had had numerous conversations in Paris with Messrs. Clayton and Caffery, and that the Frenchmen had endeavored to obtain a commitment from the Americans for the establishment of a board to allocate the productive facilities of Germany after the period of military occupation; that is to say, a commitment on the content of a peace treaty that might not be drafted for four or five years. Mr. Lovett added that, in his opinion, such an idea would not be connected at this stage with the matter at issue, which was the German level-of-industry. Furthermore, he considered it improper for France to attempt to engage the United States in a bilateral agreement or understanding on the eve of tripartite conversations which were being held at France's insistence. He had been obliged to request Clayton and Caffery to inform Bidault that the meeting opening tomorrow in Paris was the proper place to raise these difficult questions. He added that the idea of an allocating board for

German production in the future might be a good one, and probably was, but that there was a time and place for everything.

Mr. Bonnet said that he had been away and was not too certain of his facts but that he did know that his Foreign Minister was very upset. He developed the familiar French arguments for security against a resurgent Germany. Mr. Lovett replied that all these questions would be thoroughly aired at the London meeting.

The conversation now having lasted three-quarters of an hour, Mr. Bonnet rose to take his leave but said that, in parting, he must recall to the Acting Secretary the great importance which his government attached to a rapid solution of the Saar coal problem. He reiterated the familiar arguments, including the one to the effect that if Molotov had agreed to the absorption of the Saar at the Moscow Conference the whole thing would have been settled by now and that the United States was hiding behind Russian skirts. He spoke of the note⁴ which his Counselor had delivered to Mr. Thorp the preceding evening. The Acting Secretary replied that he had not yet seen this note but that the problem was receiving active consideration in the Department. Mr. Bonnet again insisted on the delicate political situation in which further delay on our part would place Bidault.

862.60/8-2247: Telegram

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

SECRET

LONDON, August 22, 1947—midnight.

URGENT NIACT

4579. For Lovett.

I. Before the convening of the first session of the tripartite level of industry talks, we met with the British and agreed to give to the French the text of the plan as agreed in Berlin, minus the preamble and including Section IV. In addition we agreed with the British that the representatives of Benelux would be given an opportunity to examine confidentially but would not be given copy of Appendix A of the plan.

II. Jenkins and Douglas made introductory statements at today's session in which they pointed out the object of the talks, the desire of all participants for rapid conclusion of them and fact that the plan determines the amount of industrial capacity to be retained in the bi-

⁴The French Embassy note under reference, dated August 19, 1947, is not printed. For additional documentation regarding the attitude of the United States regarding the transfer of Saar coal resources to France, see pp. 1073 ff.

zonal area and is not a production plan. Douglas also said while glad to have French views, in absence of French adherence to bizonal fusion ultimate responsibility for decisions must rest with US and UK. We urged and obtained agreement that there be agreed statements to the press at the beginning and end of the discussions and no other publicity except by mutual consent. A brief communiqué was issued at the end of the first session. (See immediately following clear telegram.⁶)

III. Massigli opened the French presentation with a statement very similar to what he told me last night, Embtel 4553, August 21.⁶ He pointed out that the French position was based on the hypothesis that we intended no priority for German industrial recovery over that of our allies and that there will eventually be guarantees for France on security. He mentioned that irresponsible reports of a too sudden end of the occupation of Germany impressed France as unhelpful. He said that the level of industry and the control and management of Ruhr coal are so interconnected that France must discuss them together.

IV. Alphand then read a long prepared statement which he described as a "technical presentation." He reviewed the background of the present meeting with emphasis on the position taken publicly by Bidault that the Paris Committee cooperation meetings involved no priority for German recovery and did not displace the CFM. He then turned to the bizonal reply to the Paris Committee and said that it convinced the French that there was a serious danger that if the bizonal program for steel were carried out France could not reach the level of 12,000,000 tons which they had planned and "which was the basis for the French financial arrangement with the US." (Presumably referring to Export-Import Bank loan of 1946. We understand no US approval of Monnet plan was involved in granting this loan. Please comment promptly.⁷)

He said that the coal production program of the bizonal area for 1951 was less than pre-war, while other countries were expected to improve on pre-war production. In conclusion, he summarized the French position as follows:

"The French Government will be able to accept the bizonal level of industry if it is clear that:

(1) It will be reconsidered if the CFM reaches agreement on German economic unification.

⁶ Not printed.

⁷ Telegram 3659, August 23, to London, not printed, stated that no approval of the Monnet Plan had been given in connection with the American-French financial arrangements in 1946 (862.60/8-2347). For documentation on American assistance to France in 1946, see *Foreign Relations*, 1946, vol. v, pp. 399 ff.

(2) Previous agreement is reached on the rate of reactivation of German industry with provision for the export of sufficient coal and coke to insure that German steel production will not absorb so much German coal as to hamper the steel production of other countries, particularly French Monnet plan. To this end the sliding scale should be adjusted and should include coke. In addition provisions to insure adequate coal and coke exports from Germany after the peace settlement should be agreed. (This as well as practically all French proposals are designed to protect Monnet plan.) The adjustment should contemplate inclusion of Saar in French economic system.

(3) The French point of view on the control and management of Ruhr coal mines is that measures taken during the occupation should not prejudice the control of the Ruhr, especially against an international statute for the ownership and management of the coal mines during the period after active occupation ends. During the period of occupation, the occupying powers should retain in their hands not only control of allocations but the details of management in order to avoid the difficulties of resuming such control in the case of internationalization at some later time.

(4) There should be an immediate resumption of reparation removals.

(5) There must be borne carefully in mind the necessity of achieving a balance between German exports and imports."

V. British and we have agreed to study the French proposals and reply to them tomorrow.

VI. We expect to concert with the British a reply to the French for tomorrow afternoon at 3:00. Points one, two, and three are clearly covered in my instructions as is the general question of French "acceptance". I have indicated to British that I am unable to state a US position on the resumption of reparations, point four, in the absence of instructions, and will express our regret that Alphand's fifth point did not receive greater emphasis.

VII. French have requested a statement of our plans on Ruhr control and management which will need urgently as requested in Embtel 4577, August 22.⁸

VIII. Verbatim text both statements available tomorrow. Will send addition to and corrections of this cable if necessary. Will transmit in full both statements as soon as possible.⁹

Sent Department, repeated Paris 472 for Caffery, Berlin 393 for Clay and Murphy.

DOUGLAS

⁸ Not printed.

⁹ The records of the Tripartite Talks on the Level of Industry and the Management and Control of the German Coal Mines, are included in CFM Files, Lot M-88, Box 85. The dossier includes the formal minutes of the meetings of August 22, August 23, and August 24 (document designation TT/47/Minutes), the numbered formal conference documents (designation TT/47/P 1-11), and the American delegation minutes of the meetings of August 22, 23, 24, and 27.

862.60/8-847

*Memorandum by the Director of the Office of European Affairs
(Hickerson) to the Under Secretary of State (Lovett)*

[WASHINGTON,] August 23, 1947.

Subject: International Control of Ruhr Resources

Discussion:

The problem of dealing with the revival of German industry and its relation to the reconstruction of western Europe has reached a critical stage, both as regards the tripartite talks in London and the general economic recovery plan now under study in Paris. There can be no question that the disposition of the products of the Ruhr is one of the central factors in the preparation of the European program in Paris, not only because of the position taken by the French but because of the legitimate interest of other European nations in the rate of German recovery.

In order to meet the serious situation in Germany and to implement a decision of the US-UK Governments taken during the Moscow Conference, it has been agreed by this Government that the bizonal level of industry plan prepared by the US and UK Zone Commanders should be announced September 1st as soon as the French views have been considered.

Not only is the French Government deeply concerned that the new level of industry means that the industrial revival of Germany is being given priority in European recovery; but similar concern has been expressed in this country and the principal line of attack by the Communists on present US policy is that its principal aim is to rebuild Germany. As a counter-balance to agreeing to a higher level of industry France is seeking assurances that (a) Ruhr industrial capacity will never again be used for military purposes against France, and (b) access by western Europe to the production of the Ruhr will not be subject exclusively to the will of Germany.

Assurances that the US Government is still desirous of dealing with the problem of military security through the controls established under the terms of the Disarmament and Demilitarization Treaty have already been given to the French Government in respect to the first of these points. With respect to the second it has been agreed with the War Department that any specific proposal in this connection should be related to the peace treaty negotiations and not decided in connection with the level of industry talks.

On the other hand, it must be recognized that French cooperation is necessary both with regard to the solution of the German problem as

well as with regard to the realization of the Marshall Plan for the economic recovery of Europe. There is a danger that the failure of the US Government to come to an understanding with the French at this time on a general approach to the Ruhr question might result in vocal opposition on the French part to the new level of industry plan and might so weaken the present French Government that a French political crisis could ensue either through the resignation of Bidault or the fall of the Government on this issue. The United States has always expressed a lively understanding of the French concern for security and it must be admitted that there is justice in the French conception of an inter-relation between the level of industry plan and the future of the Ruhr as affecting their security.

Furthermore, it is the considered opinion of Messrs. Clayton, Cafery and Douglas that the United States should at this time recognize the legitimate interest of France and other European countries in the allocation of Ruhr production and give assurances that it will support the inclusion in an international agreement in connection with the peace settlement of articles providing for some measure of international allocation. A more detailed analysis of the French position and proposals in this respect is contained in the attached annex.

In formulating the following recommendations it is appreciated that they are not in line with the views presently held by the War Department which is concerned lest French preoccupation with respect to their own security imperil the economic development in Germany necessary to enable the US to fulfill its responsibilities in this respect and avoid continuing heavy charges. Minimum assurances of the kind set forth are however considered in the interest of United States policy, provide a basis for a real settlement involving the western zones of Germany, and insure that the European recovery program will not be adversely affected by the legitimate concerns of European Powers. It should, of course, be understood that in giving any assurances to the French Government in this connection the United States is not committed to accept a particular method of implementation until the peace treaty goes into effect. This is important since the agreement will not be effective until a much later date at which time the political conditions in France may be very different from today. In guarding against future commitments which might benefit a France which had gone Communist we should however avoid action which increases this possibility. Any hesitancy displayed in discussing our purposes and aims in respect of Germany with other Governments tends to intensify suspicions as to these aims and strengthen the Communist line of attack.

Recommendations:

A decision on this matter is urgent in view of the present stages of the London talks (see London's telegram no. 4579¹⁰) and is required before further instructions can be sent Douglas. It is recommended that United States policy be clarified in this respect so that the French may be informed during the London talks, that:

(1) The United States Government is prepared to agree in principle with the French and British Governments to support inclusion in an international agreement in connection with the peace settlement of Germany of provisions which would give assurances not only to France but to other European Governments that access by western Europe to the production of the Ruhr would not be subject exclusively to the will of Germany as in the past and,

(2) The United States Government is prepared as soon as the tripartite discussions in London are concluded and the level of industry announced to agree to a further tripartite exploration of the methods by which this assurance may be implemented in the peace treaty. During these discussions sympathetic consideration should be given to the inclusion in the peace treaty of articles providing for the establishment of an international board, of which Germany will be a member, to insure that the distribution of Ruhr output of coal, coke, and steel between German internal consumption and exports will be determined on an equitable basis and that German domestic consumption will be devoted to peaceful purposes only, in accordance with demilitarization and disarmament measures which are agreed in the peace settlement.

[Annex]

*Memorandum Prepared in the Department of State*¹¹

[WASHINGTON, undated.]

In a series of informal talks held at Paris during recent weeks, between Mr. Clayton, Ambassadors Douglas and Caffery on one side and Messrs. Bidault, Monnet, Couve de Murville and Alphand on the other, the French have set forth as their position that they do not want to hold down production in Germany and would not object to the new level of industry plan, providing assurance is obtained that (1) Ruhr resources would not again be used for military purposes against France and (2) access to the products of the Ruhr shall not be at the exclusive will of Germany, as in the past.

¹⁰ *Supra.*¹¹ The source text indicates that this paper was prepared by Howard Trivers, Division of Central European Affairs; Fritz E. Oppenheimer, Special Assistant to the Legal Adviser for German-Austrian Affairs; and John C. de Wilde, Acting Associate Chief, Division of Occupied-Area Economic Affairs.

To bring about such assurance, M. Bidault proposed the creation of an international board which would allocate the Ruhr production of coal, iron and steel between Germany and other countries. After the peace treaty the board would be composed of representatives of the United States, the United Kingdom, France, Benelux and Germany; prior thereto it was to be composed of the same countries minus Germany. During the talks the French conceded that no special controls were required for the occupation and that their proposal referred to the post-occupation period and should be connected with the peace settlement.

In comparison with the French position at the Moscow Conference, this latest French proposal represents a very considerable concession and endeavor to meet United States views. The French have abandoned their previous demands for the political detachment of the Ruhr from Germany and for the internationalization of the Ruhr area. Furthermore, the French are willing to leave the ownership and administration of the Ruhr industry in German hands and declare no interest in the question whether the Ruhr should be nationalized or not.

The latest British proposal suggests that the coal, iron and steel industries of the Ruhr should be placed under international control with some form of public ownership in order that their resources may be used for the benefit of Europe as a whole, including Germany. The British agree on the necessity for international control, but this in their mind is connected with some form of German public ownership. Specifically, they seem to favor ownership by a German public corporation, with actual management vested in an international board of directors.

It will be recalled that Secretary Marshall stated at Moscow on April 10 as follows: "When Allied Military Government in Germany is terminated and a German government is functioning under a constitution, however, some special provision for the overseeing of Ruhr resources may be advisable". This statement was made in connection with the general conception that the Ruhr area is only one of the key industrial concentrations of Europe, whose resources should be equitably shared by European countries. It was also stated that Germany should have responsibility for management and operation of Ruhr industries and marketing of their products, and that only if the Germans act contrary to the just interests of the other countries should the matter be referred to an international agency.

It is our understanding that the War Department and OMGUS are opposed to any international controls applicable only to the Ruhr, even in connection with a peace settlement.

In agreement with the War Department, the Department has instructed Ambassador Douglas that the French proposal on the Ruhr cannot be considered during the level of industry talks at London, although we are prepared to discuss it at an appropriate time and give sympathetic consideration to a solution of this problem. We told Clayton and Douglas that United States policy in respect to control of the Ruhr has not yet been resolved.

When Bidault was informed of this essentially negative United States policy, he stated that no French Government, neither the present one nor any succeeding one, could agree to a revised level of industry for Germany, without some assurances as to French security and access by Europe to the products of the Ruhr.

It is believed that the French Government will maintain their position during the London talks and that a serious crisis will be precipitated if we insist on the above negative position.

The present French proposal is believed to be close to United States thinking on the Ruhr problem. It appears that the basic conception behind the American approach to the Ruhr problem at Moscow may be realized, at least in Western Europe, through the Marshall Plan which aims at a coordinated and equitable utilization of key industrial resources in the interest of European economic recovery. The fundamental difference then between the present French Ruhr proposal and the United States position lies in the means for assuring the equitable distribution of Ruhr resources. The French propose positive and direct control through an international allocations board, whereas the United States suggest control by an international agency with jurisdiction to act only upon request and if German administration of the resources fails to meet just requirements of other countries. It is clear that the French and United States proposals have one common objective. They differ only in the method proposed for accomplishing this objective.

Accordingly, the United States and French positions are so close that it should be possible to formulate an agreement in principle which would leave for further settlement the method of accomplishing the common objective. Such an agreement should not commit us to acceptance of any particular method of implementation, particularly since we must be mindful of the fact that the agreement will not come into effect until a much later date, at which time the political conditions of France may be very different from today. Furthermore, it is believed that any international control of the Ruhr alone should be limited in time, on the grounds put forth at the Moscow Conference that it would be impossible to expect a country to develop along democratic lines with a group of deeply interested foreign countries in indefinite control of its prime resources.

862.60/8-2347 : Telegram

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

TOP SECRET

WASHINGTON, August 23, 1947—10 a.m.

3653. For the Ambassador and Gen. Clay from State and War. In connection impending discussions with French re level of industry, Depts considering related question of resumption of reparation deliveries. When resumption deliveries discussed in a June Cabinet meeting, no decision was reached but consensus was that either there should be no resumption reparation deliveries to any country or that reparation deliveries should be resumed to Eastern and Western countries alike. Since then State Dept has reviewed problem and has reached following tentative conclusions:

1. It is desired if possible to avoid actual resumption of reparations deliveries until we are able to know the results of the CFM meeting in November. On other hand, prejudgement of results next CFM meeting should be avoided.

2. At the same time the forthcoming announcement of the level of industry makes it important to give some indication that we are looking toward resumption of reparations deliveries.

3. Therefore suggest that announcement concerning the level of industry include a statement developing the idea suggested for the preamble that the new level will "provide a firm basis for listing plants to be retained in Germany and plants available for removal as reparations". Should also be stated that such determination will be commenced at once by the bizonal authorities but without any statement as to when or to whom reparations deliveries will be resumed.

4. The determination of plants available for removal will presumably take some time and may provide a sufficient means of delaying deliveries until the November meeting.

Views of Douglas and Clay and Murphy requested regarding foregoing in light of the effect on administration bizonal area and in light probable British reaction.

LOVETT

862.60/8-2447 : Telegram

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

SECRET

LONDON, August 24, 1947—3 a.m.

URGENT NIACT

4586. I. In accordance your instructions and subsequent US-UK agreement, Hoyer-Millar and Martin gave Benelux representatives opportunity this morning to examine appendix A of agreement. Session was friendly and without incident.

II. Now appears possible to complete discussions of level of industry at session starting 11 a.m. August 24 or possibly at afternoon session same day. Thus far have had nothing to report on US-UK plans for administration German coal mines. As result, prompt completion of talks here may be delayed. Appreciate every effort your part to transmit status Washington discussions this subject on urgent basis. No reports of any sort yet received on progress Washington discussions. (Reference Embassy's telegrams 4579¹² and 4577, August 22¹³).

III. Full agreement reached with UK on responses to French statements of yesterday. Douglas opened afternoon session tripartite talks with reply to Massigli's statement of yesterday. He assured French of long standing and continued sympathy of US for French security and access to Ruhr production referring to Secretary's statement at Moscow. He denied any intention giving Germany priority and said French "conditions" on coal, Ruhr, etc. were outside scope of talks. In addition he pointed out importance of parallel recovery German industrial production with that of Europe for European rehabilitation, to make possible a democratic Germany, and to relieve US-UK financial burdens. Urged French to use explanations given them in London to reassure French people as to our intentions.

Jenkins then replied along lines paragraph VI Embassy's telegram 4579, August 22 to Alphan's statement of yesterday. He pointed out that French "conditions" were outside scope of discussions and corrected factual statements by Alphan indicating possibility we would give priority for German recovery. In conclusion, he suggested French proceed to exposition of "minor technical comments on level of industry plan itself," which was agreed. After brief misunderstanding, his statement that we were ready to discuss coal and coke allocations with French and consider revision of sliding scale, it was made clear that French should address themselves first to bi-zonal authorities.

IV. Alphan stated that in considering the French comments on the levels, the conditions outlined the previous day should be "borne in mind." To start with they desired that the levels for steel, machine tools, tar distillation, dyes and chlorine be permanent limits on production.

a. With respect to the level of 10.7 million tons for steel, it could be accepted by the French but they considered that the present zonal capacity was 22 million tons rather than 19.2 million tons.

b. Alphan said that Germany required a stock of only 800,000 machine tools which could be maintained by annual production of 32,000 rather than the 48,000 contemplated.

¹² *Ante*, p. 1047.

¹³ Not printed; it asked for information regarding United States approval of the bizonal agreement on German coal management (862.6362/8-2247).

c. Tar distillation. This process should be strictly reduced to German needs for briquette, pitch, road needs, etc., and capacity should be limited to one million tons with exports of three to four hundred thousand tons of raw tar.

d. Dyes. This industry which was a spearhead of German infiltration abroad and a product neighboring on war production should be limited to the March 1946 level of 60 percent of 1936 with 15,000 tons allowed for exports per annum.

e. Chlorine should be limited to 70 percent of 1936 production as against 60 percent of the 1946 plan. However, caustic soda capacity should be retained until 50,000 tons capacity can be erected outside of Germany.

(*Comment*: At a meeting with the British after the full session, we agreed that no decision on permanent production limits could be made until the peace treaty and that we considered the present plan only a determination of amount of existing capacity to be retained in Germany. US took position that no concessions could be considered since there does not now appear to be in our view on this account any danger to French democracy or the Marshall plan.) The reasons for our conclusion were not communication [*communicated*] to the British. (UK prepared to make some concessions if necessary to appease French but thus far not very vigorous or specific. It is our impression that the French request for a reduction in tar distillation and chlorine arises from a technical misunderstanding as the bi-zonal plan provides approximately the capacity they suggest.)

V. The French also said that under-evaluation of existing capacity made the capacity which should be available for reparation removal in the engineering, chemical, cement and non-ferrous metals industries larger than the plan indicates. With respect to machine tools, they argued that the plan does not (as the quadripartite plan of 1946 did not) take into account machine tools in plants employing less than 25 workers. This, together with the under-evaluation previously mentioned, and their desire to consider the useful life of a machine tool 25 years as against US-UK compromise estimate of 22 years, lead them to assert that removals would be about 300,000 machine tools leaving an additional 350,000 tools which they considered surplus under the bi-zonal plan. Removal in chemicals could be greater if a detailed examination were made of the various branches of the industry. French also questioned use of rated capacity figure for cement.

They asked that reparation availabilities from the copper refining industry be increased 30 to 50 percent and those from the leading refining industry by 20 percent.

(*Comment*: It was agreed in the meeting with the British after the full session that we would recognize the under-evaluation charge by indicating to the French that the plan is one for retaining capacity and if we discover there is more capacity available than is now believed, it will be made available for reparations, but we will make clear that the bi-zonal authorities must themselves be the judge of capacity. It was also agreed that we would tell the French of our willingness to make a survey of surplus machine tools in small plants at some later time and that we would list any surpluses found for reparations. The fact that the rated capacity shown for cement results from a year long quadripartite argument and is only sufficient to produce the amount of cement agreed to be required will also be explained to the French.)

VI. Alphand indicated that the French were not opposed to revision of the prohibited industries. They desired that electronics industry also be prohibited since electronics were likely to be weapons of a future war. If this were done, it might be possible to relax the restrictions on synthetic ammonia and high seas shipping. The French would be willing to re-examine the list of prohibited and temporarily maintained industries.

(*Comment*: We agreed with British to explain our position on these industries indicating our willingness to include radar among the prohibited industries but not common electronic parts and devices. The decision, however, would be deferred as agreed in the bi-zonal plan.)

VII. Accordance instructions Department's telegram 3616, August 21,¹⁴ Clay and Sir Sholto [Douglas] are meeting to agree on revised preamble and UK proposals respect section IV of agreement, in respect of which Clay has offered to delete reference to quadripartite action.¹⁵

Sent Department 4586. Repeated Paris for Caffery 475, USPolAd Berlin for Clay and Murphy 397, Geneva for Clayton 126.

DOUGLAS

862.60/8-2447 : Telegram

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

SECRET

LONDON, August 24, 1947—5 p.m.

URGENT NIACT

4587. For Lovett from Douglas. Last night Sir Gilmour Jenkins, two or three of the British delegates; Massigli, Alphand and Sergent

¹⁴ *Ante*, p. 1045.

¹⁵ Clay and Douglas reached final agreement on the Revised Level of Industry Plan in London on August 27. Regarding the release of the final text of the Plan, see the editorial note, p. 1066.

for the French; Murphy, Clay and I dined together. It was my impression that after the formal discussions today, we can subsequently reach an agreement on a satisfactory communiqué which will give the French Government at least a public statement which they can in turn use to persuade French public opinion.

While neither Alphand nor Massigli have as yet either formally or informally explicitly referred to an allocating board, the proposal is implicit in what Alphand said on Friday. It may well be that in preparing the communiqué, we may be able to negotiate a satisfactory language if I know that it can include something along the following lines:

“US Govt at the appropriate time and the appropriate place will view with sympathetic consideration and engage in discussions on the subject of establishment of an allocating board or some other device for the purpose of ensuring that access to products of the Ruhr shall not in future as was the case in the prewar period be exclusively subject to the will of Germany.”

If you can see your way clear to defining “appropriate time and place” as immediately or shortly following the termination of these discussions, it would be extremely helpful, it being understood always that such an allocating board would not come into existence until after the peace settlement had become effective.

Please give us a prompt answer as the matter may be coming to a head today or tomorrow.¹⁶

Sent Department 4587; repeated Paris for Caffery 476; Berlin for Murphy and Clay 398; Geneva for Clayton 127.

DOUGLAS

*The United States Military Governor for Germany (Clay) to the War Department*¹⁷

TOP SECRET

LONDON, August 25, 1947.

72088. State Department has requested¹⁸ my comment relative to:

- (A) Resumption of reparations
- (B) Publication of lists of plants available for reparations under new level of industry plan

¹⁶ Telegram 3663, August 24, to London, from Lovett to Douglas, not printed, gave the following interim reply:

“There is considerable difference of views here re subject your 4587 which may have to be resolved at highest level. If after your discussing matter with Clay and Murphy, Clay could recommend your suggestion to War matter would be simpler here and earlier solution probable.” (862.60/8-2447)

¹⁷ This message, which was transmitted through the United States Military Attaché in London, was addressed to Secretary Royall, General Noce and General Draper. The source text is included in the files of the Office of European Affairs, Division of Western European Affairs, Lot 53 D 246, file “Germany-General”.

¹⁸ Telegrams 3638, August 22; 3653, August 23; and 3661, August 24, to London, pp. 950, 1055, and 952, respectively.

(C) Agreeing to consider establishment of international allocating board for Ruhr coal, and

(D) Compromise with the British in establishing a trusteeship of Ruhr coal mines which would permit early vote of German people as to eventual ownership without affecting the US-UK management agreement.

Comment follows herewith: In the interest of German administration and recovery, it would be most desirable to proceed forthwith and complete at earliest possible date dismantling and delivery of all plants to be made available in reparations. However, it is still my strong view that no plant should be given to the USSR until agreement has been reached with respect to the economic unification of Germany. Therefore, I would recommend that reparations deliveries be withheld at least until after the November conference of the Council of Foreign Ministers. In point of fact, this should involve no delay as the agreed plants in US and UK Zones in excess of the new level of industry could be reported to Allied Control Council for allocation with understanding that deliveries would continue to be subject to agreement on economic unification. The time required for allocation of these plants could very easily be extended in quadripartite discussions to avoid decision being made until after November meeting of Council of Foreign Ministers.

This would permit the early publication of plants to be retained in Germany in US and UK Zones under the new level of industry plan. The publication of this list is essential to provide German people with hope, thus encouraging democratic leadership and also to encourage manufacturers to place their plants in order to permit early resumption of production. The publication of this list of retained plants is so important to recovery that it forms a basic reason for the early publication of the new level of industry.

I see no objection in principle to the establishment of an international body for the allocation of coal from the Ruhr and certainly no objection to agreeing to consider the establishment of such a body at an early conference, although whether or not this should be done as a tripartite measure prior to the Council of Foreign Ministers meeting in November is something which deserves serious consideration. However, this decision would be relatively unimportant in so far as Germany is concerned. I do have a strong feeling that the functions of the allocating body should be clearly defined to interfere to the minimum with such sovereign points as are restored to Germany in the peace treaty as otherwise the political effects in Germany would be damaging and cumulative. In general my view is that such a body would be entitled to receive full and complete reports as to the production of coal in Germany and the use to which the coal held in

Germany is placed with powers to intervene to require a greater export of coal if it appears to the advantage of Europe as a whole to require an increased export of German coal. Of course, this measure itself might well be weighed against specifying a fixed percentage of coal production for export purposes in the final peace treaty with Germany. Nevertheless, the former arrangement gives greater flexibility and would be particularly advantageous if the degree of economic cooperation in Europe visualized in the objectives of the Marshall Plan does result. It must be remembered that any agreement to form such an international allocating board made prior to the unification of Germany might well lead to the inclusion of the Soviet Government on the allocating board where it would be able to interfere seriously with the cooperative effort visualized in the Marshall Plan. For this reason consideration of the formation of such a board might well be agreed now but with any formal conference deferred until after the November meeting of the Council of Foreign Ministers when it may be possible to more accurately visualize Germany's immediate future.

I assume that we could agree to no international allocating board during the period of tri-partite control.

I do not believe that we should compromise with British representatives in agreeing to the German people having the right to vote on the permanent future status of the Ruhr coal mines in the near future. I understand that one of the reasons why we desire to compromise results from our own acceptance of socialization as a constitutional right in the constitutions of the several states in the US Zone. I do not quite follow this reasoning. Certainly the United States has always insisted on the constitutional right of any people to determine their political and economic structure under democratic procedures and in approving the state constitutions the approval of the provision was merely a recognition of our long-established support of the right of a people to determine their own future. However, in approving the state constitutions it was clearly stated that matters concerning Germany as a whole were reserved to Military Government. Obviously we would not interfere with state, counties, or cities taking over the public ownership of public utilities serving these political entities only as clearly the question of ownership is one that pertains to the people living within the political entity served. However, it is equally obvious that the fate of the German people as a whole is inextricably connected with the great coal and steel industries of the Ruhr which are the principal resources for all Germany. Without the Ruhr and its products the German people cannot hope to have a balanced import-export program. Hence it is impossible to determine the future of the great

industries as an expression of the will of the German people until it is known what the boundaries of Germany will be and who the German people will be who must depend upon the Ruhr. It is unthinkable to agree to North Rhine Westphalia as one of several German states being permitted to take over all of the assets of the Ruhr unless desired by the German people as this one state would then become the dominant factor in the German political structure.

It is believed that the British have promised the Social Democratic Party just this but this was a unilateral promise. It is further desired to point out that under our joint US-UK controls each Military Government exercises its own independent control of state governments and that with the Ruhr industries placed under this single *land* its future will be in the hands of a government which reports only to British Military Government. As a compromise, if the 5-year term is too obnoxious to the British to permit agreement, it is suggested that we express our willingness to permit the German people to vote on the socialization of Ruhr industries when it becomes possible for them to vote as a people and when the United States and United Kingdom have agreed that political and economic conditions are sufficiently stable to permit a free expression from the German people. In point of fact, at present the CDU Party holds a slight majority in the bizonal economy council. It is almost certain that this council would not agree to North Rhine Westphalia taking over ownership of the Ruhr industries and it is even doubtful if this council would agree at this time to socialization of these industries. It is a great mistake to assume that extreme Socialists represent present majority viewpoint now in Germany. It is true that they are better organized and are more aggressive, the great bulk of the CDU Party comes from what is normally the middle class of Germany and at most is in favor of only a mild socialization program. In spite of these factors, an election at the present time or in the immediate future would be a great mistake as it would develop bitter political controversy which would be exploited in every possible way by the Communist Party and would certainly interfere seriously with the rate of economic recovery.

New subject. In as far as the designation of the individual to take over the mines is concerned it seems to be of no importance as to whether he is called trustee, administrator, or any other name that conveys the general meaning and purpose of his job. New subject. I am convinced it would be serious mistake to recommend US chairmanship or majority membership in coal Control Group at this time. Organization of Control Group must follow bipartite pattern for management of economy as a whole: Otherwise, damaging friction is certain to develop between bipartite board which requires joint agreement

and Control Group with majority American control. This question may be raised again if we take on greater financial responsibility. However, it should even then follow pattern established for overall bipartite control.

Request that these views as may be modified by War Department be conveyed to State Department as matter of urgency. Copy has been given to Ambassador Douglas.

862.60/8-2747 : Telegram

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

SECRET

WASHINGTON, August 27, 1947—noon.

URGENT NIACT

3716. For the Ambassador. Confirming your telephone conversation with Hickerson, War and State approve the communiqué quoted in your telegram 4640.¹⁹ If it would assist in securing French acceptance of this communiqué you are authorized "to inform the French Representative that the US Govt is prepared at an early date to engage in discussions on and to give sympathetic consideration to the establishment in connection with the peace treaty of some international device for the purpose of insuring that access to production of the Ruhr shall not in the future, as was the case in the prewar period, be exclusively subject to the will of Germany. You are authorized to tell the French that the communiqué contains the minimum acceptable to the United States." If you give the French assurance set forth above naturally we expect them to remove their reservations in the communiqué.

If absolutely necessary in your opinion to obtain unconditional French acceptance of communiqué you are authorized to inform the French Representative that the US Govt has no objection in principle to the establishment of an international body or some other device to insure that the distribution of coal of the Ruhr takes account of the just needs of Europe including Germany.²⁰

In connection with the foregoing paragraph please consider carefully Clay's telegram no. 72088 to War Dept of August 25,²¹ specifically

¹⁹ Not printed.

²⁰ Telegram 3718, August 27, to London, not printed, gave the following supplementary instruction:

"In connection with penultimate paragraph of our telegram today approving communiqué to be issued at close of level of industry talks the second assurance to be used only as a last resort should likewise refer to the establishment in connection with the peace settlement of the international body contemplated."
(862.60/8-2747)

²¹ *Supra.*

his paragraph dealing with the international body for coal distribution.

LOVETT

862.60/8-2747 : Telegram

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

[Extracts]

SECRET

LONDON, August 27, 1947—midnight.

URGENT NIACT

4660. At meeting this afternoon of heads of delegations, Massigli stated that his government would accept draft communiqué (Embassy's telegram 4640, August 27²²) subject to following amendments:

1. Paragraph 11 should be placed at end of paragraph 1 and the words "more complete" substituted for the word "better".²³

I agreed

2. That the words "including Germany" in paragraph 2 be deleted. I agreed. But at tonight's plenary session, I stated for the record that the phrase "for the rehabilitation of Europe" must of course be interpreted so as to include Germany.

3. That the end of paragraph 3 be changed to read "do not prejudice such guarantees in this respect as may be established in the future".²⁴

I agreed

4. There was discussion of phrase in paragraph 4 reading "as might be established to control access to its products". Difficulty largely one of translation, and I agreed to this wording "to assure to other countries access to its products" as a substitute for "to control access to its products".

5. That final sentence of paragraph 4 be changed to read: "The French delegation took note of these explanations and reserved the

²² Neither the telegram nor the draft communiqué under reference here are printed. For the identification of printed sources for the communiqué as ultimately issued on August 28, see the editorial note, *infra*. Differences between the draft communiqué and the communiqué as finally issued are indicated in this telegram and in the annotations thereto.

²³ Paragraph 11 of the draft communiqué read:

"Eleven. The three delegations were able, as a result of the conversation, to arrive at a better understanding of their respective points of view."

²⁴ The conclusion of paragraph 3 of the draft communiqué read as follows:

"... do not prejudice such guarantees in this respect as may be embodied in the peace settlement."

position of their government with regard to the arrangements for the management and control of the mines."

I agreed

6. That the words "resulting from" in paragraph 5 be replaced by the word "in".

I agreed

7. After discussion, due largely to French misunderstanding of exact meaning of paragraph 6, I agreed to deletion of words "their plan is intended to establish a program" and the substitution of the words "in the fixing of capacities enables a program to be established, etc."

8. That the word "recognized" in paragraph 7 be changed to "agreed".

I agreed

9. That the words "on the understanding that the coal available for consumption in the Anglo-American zones of Germany as a result of the present sliding scale would not be diminished" in paragraph 8 be deleted.

Massigli stated that he would give us written commitment outside the communiqué including this thought. I told him that this would be misleading everywhere, that this was not acceptable, and that we would have to insist on retaining this clause lest it lead to widespread misunderstanding.

The British likewise declined to accept this proposal.

Massigli stated that under his instructions he would have to consult his government unless all his proposed amendments were accepted. He is therefore communicating again with his government with regard to paragraph 8 and hopes to have their reply tonight.

Before the plenary meeting tonight, I spoke to General Clay on the phone about the French amendments and he is in accord with the position which I took as stated above.

10. At tonight's plenary session, M. Massigli, for the French Government, agreed to the communiqué with the modifications suggested by the French as indicated above and with paragraph 8 intact as originally submitted to you.

11. I did not state, first, publicly that the United States Government, at an early date, is prepared to engage in discussion and to give sympathetic consideration to the establishment in connection with the peace treaty, etc. Nor, second, was it necessary to seek authorization to say that the United States Government had no objection in principle to the establishment in connection with the peace treaty of some

international device, etc. (Department's telegrams 3716²⁵ and 3718,^{25a} August 27).

As to the first above, I knew from previous discussions that I would have difficulty with the British.

As to the second above, because the first would have difficulty with the British, the second would have led to the same difficulty. Therefore I concluded that it was better to take the risk of obtaining French agreement to the communiqué as modified in form though not in substance.

12. I did, however, say privately to Massigli, after the meeting of the heads of delegation this afternoon and before the plenary session, that we would try to persuade the British to engage in discussion and to give sympathetic consideration to the establishment in connection with the peace treaty of some international device, etc.

13. The full text of the communiqué follows. It will be released for publication in the Friday morning press in England, on the European Continent and in the United States:

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Sent Department 4660, repeated Paris for Caffery as 491, Berlin for Clay and Murphy as 414, Geneva for Clayton as 139.

DOUGLAS

Editorial Note

The Communiqué on Tripartite Talks Between Representatives of the French, United Kingdom, and United States Governments in London, August 22-27, 1947, Relating to the Level of Industry in the Combined Anglo-American Zones of Germany and to the Management and Control of Mines in the Ruhr was released to the press simultaneously in Washington, London, and Paris on August 28, 1947. For the text of the communiqué, see *Germany 1947-1949*, pages 356-357, Department of State *Bulletin*, September 7, 1947, pages 467-468, *Documents on International Affairs 1947-1948*, pages 625-626, or Ruhm von Oppen, *Documents on Germany*, pages 238-239.

Editorial Note

On August 29, 1947, the Revised Plan for the Level of Industry in the United States-United Kingdom Zones of Occupation in Germany, as completed and signed by Clay and Douglas in London on August 27,

²⁵ *Supra*.

^{25a} See footnote 20, p. 1063.

was released to the press. At the same time, the Department of State and War Department issued a joint statement briefly describing the objectives of the new plan. For the text of the revised level of industry plan, see *Germany 1947-1949*, pages 358-362, Department of State *Bulletin*, September 7, 1947, pages 468-472, *Documents on International Affairs, 1947-1948*, pages 626-632, or Ruhm von Oppen, *Documents on Germany*, pages 239-245. For the text of the joint State-War Department statement, see *Germany 1947-1949*, page 357, or Department of State *Bulletin*, September 7, 1947, page 468.

Editorial Note

In a note to Soviet Chargé Tsarapkin dated August 29, 1947, replying to the Chargé's note of August 18 (see editorial note, page 1039), Acting Secretary of State Lovett reviewed the efforts of the United States to reach agreements on matters affecting Germany as a whole and asserted the intention of the United States to make arrangements with any other occupying power willing to work for the achievement of the objectives already agreed upon by the four occupying powers; for the text of the note, see *Germany 1947-1949*, pages 362-363, Department of State *Bulletin*, September 14, 1947, pages 530-531, and *Documents on International Affairs, 1947-1948*, pages 623-624.

740.00119 Control (Germany)/9-147: Telegram

The Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, September 1, 1947—3 p.m.

3006. As anticipated, 69th meeting Control Council ²⁶ held August 30 brought forth lengthy Soviet protest against new British-American bizonal industry level announcement. Referring to governmental note August 18,²⁷ latest bizonal measures branded as rupture of Potsdam Agreement and quadripartite procedure, and another step in process of dismemberment of Germany, following original bizonal merger and subsequent establishment Economic Council. German resources will thus be taken away from German hands and come under influence certain foreign monopoly interests.

²⁶ I.e., Allied Control Council for Germany; for additional documentation on the participation of the United States in the work of the Allied Control Authority for Germany, see pp. 831 ff.

²⁷ Regarding the note of August 18, 1947, from Soviet Chargé Tsarapkin to the Acting Secretary of State, see the editorial note, p. 1039.

French member ²⁸ referred only to official French communiqué published day before. British member ²⁹ quoted in his reply from official Foreign Office reply to Soviet Government. US member, ³⁰ while reserving right reply later in detail, emphasized great efforts made by US delegation for 2 years to achieve economic unification Germany, that invitation to other powers to join present bi-zonal merger still open, but meanwhile US not prepared sit by and watch American zone become economic quagmire unable support self or contribute European recovery.

Repeated London as 316; Paris as 386.

Dept please relay Moscow as 476.

MURPHY

862.60/9-247: Telegram

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

SECRET

LONDON, September 2, 1947—4 p.m.

URGENT

4749. For Lovett from Douglas. I discussed with Clayton, Caffery, Kennan and Bonesteel ³¹ the advisability of continuing informal discussions with the French in regard to establishing in the peace settlement with Germany, some sort of international device for the purpose of insuring that access to the products of the Ruhr shall not in the future, as was the case in the pre-war period, be exclusively subject to the will of Germany.

(ReDeptel 3716, August 27 ³² and Paris Embtel 3316, to Dept August 19 ³³).

We all recommend that an immediate continuation of these informal and personal discussions be authorized. It is not our intention that they should necessarily be undertaken for the purpose of arriving now at a definite agreement, but rather that we should aim at a complete exploration of our respective positions with a view to arriving at an informal understanding.

²⁸ General Koenig.

²⁹ Marshal Douglas.

³⁰ General Clay.

³¹ Colonel Bonesteel and George Kennan conferred with Under Secretary Clayton and Ambassadors Douglas and Caffery in Paris on August 29 and 30, 1947. Bonesteel and Kennan had brought the Department of State's current views regarding the Conference of European Economic Cooperation then meeting in Paris. For documentation regarding the exchange of views in Paris and George Kennan's Report on his mission, see volume III, "The Political and Economic Crisis in Europe and the United States response (The Marshall Plan)".

³² *Ante*, p. 1063.

³³ *Ante*, p. 1039.

As a result of what transpired in the tripartite conversations on the level of industry, which ended in London on the twenty-seventh, the question of the control of the products of the Ruhr is fundamental to the entire French position. Further discussions with the French cannot but have a beneficial effect upon the French Govt, may mollify its position toward Germany and bring us closer together in regard to a settlement of this issue at the appropriate time.

If you approve of a continuation of the informal discussions referred to herein, a full disclosure and explanation should, of course, be made to the British Govt here, without, however, becoming involved in Britain's suggestion referred to in Paris Embtel 3270.³⁴

I do not believe that a continuation of the discussions will be unpalatable to General Clay, particularly if, should you approve resuming them, he is kept fully informed and even from time to time asked to advise in regard to them. Indeed, he might be asked to participate in them. The discussions should, however, be attended by only a few and should be on an informal basis.

As I have indicated above, Clayton, Caffery, Kennan and Bonesteel endorse this recommendation. Kennan, on his return, will be able to give you more background.

Sent Dept 4749; repeated Paris (for Caffery's and Kennan's eyes only) 501; Geneva (for Clayton's eyes only) 144.

DOUGLAS

740.00119 EW/9-1047

*Memorandum by Philander P. Claxton, Jr., Special Assistant to the Assistant Secretary of State for Occupied Areas (Saltzman)*³⁵

SECRET

[WASHINGTON, September 10, 1947.]

Subject: War Dept Views on Draft Cable to Douglas Regarding Further Discussions with French on Allocating Arrangement for Ruhr Production

A copy of this draft cable³⁶ was given to Under Secretary Draper for the comments of the War Dept. before submission to the Under Secretary for approval. Under Secretary Draper stated on Sept. 5 that he felt unless there was great urgency he could not give a final War Dept. view without obtaining General Clay's comments. He stated that he hoped to have the comments by Mon. or Tues., Sept. 8

³⁴ *Ante*, p. 1033.

³⁵ This memorandum was addressed to the following Department of State officers: John D. Hickerson, Samuel Reber, James W. Riddleberger, Woodruff Wallner, John C. de Wilde, and C. Tyler Wood.

³⁶ *Infra*.

or 9. Since the time factor would appear to allow this consultation, I agreed that he should send the draft cable to Gen. Clay for comment. I also agreed to the minor changes in the text shown on the attached copy as a compromise to restrictive language urged by Under Secretary Draper.

On Sept. 9 Gen. Noce reported to Assistant Secretary Saltzman that a reply had been received from Clay and that Clay, Draper and Noce felt a decision should not be made at this time to continue these discussions with the French on three grounds

a. They did not feel such discussions and the assurances contemplated to be given during them would be desirable from the political point of view because the USSR would object to this tripartite discussion of problems which it would insist are quadripartite in scope and because other countries which would come to the peace conference would resent a prior US-UK-French agreement on this matter.

b. Such a decision is premature. There is no need to make it now since the State Dept. itself suggests the desirability of postponing any such discussion until November.

c. Such discussions and the assurances to be given at them will not help the occupation and might in fact harm it since France will wish to put in action at once any plan for post-treaty controls which might be agreed on.

General Noce was told that these views would be brought to the attention of interested officers of the Department.

[Annex]

Draft Telegram from the Acting Secretary of State to the Ambassador in the United Kingdom (Douglas)

You are authorized informally to begin consultations with the Brit. Govt., reembtel 4749, Sept 2,³⁷ in preparation for informal tripartite discussion (rather than American-French talks) of some form of international device to insure that distribution of Ruhr products shall take account of the just needs of Europe including Germany. We shall welcome suggestions as to the place and manner in which these tripartite discussions should take place. We are, however, considering the desirability of postponing any such tripartite discussion until Nov. when we shall be in a better position to gauge the prospects of CFM action.

~~Please repeat this telegram to Clay and Murphy requesting their comments. They~~ Clay and Murphy should of course be kept fully informed and be prepared to give you and us the benefit of their views.

³⁷ *Ante*, p. 1068.

There may well be occasions when you, Clay and Murphy will decide that it will be useful for them to participate in the talks when held.

We shall welcome your comments as well as those of Gen Clay's to the following: During these discussions we should be prepared (a) to agree in principle with the French and Brit Govts to support inclusion in an international agreement in connection with the peace settlement with Germany of provisions which would give assurances not only to France but to other European Govts that access by Western Europe to the production of the Ruhr would not be subject exclusively to the will of Germany as in the past; and (b) to give sympathetic consideration to the inclusion in the peace settlement of provisions for the establishment of an international ~~board~~ body of which Germany would be a member or some other device to insure that the control of the distribution of the Ruhr output of coal, coke and steel between German internal consumption and exports will be ~~determined~~ on an equitable basis and also provision for some method of assuring that German domestic consumption will be devoted to peaceful purposes only, in accordance with demilitarization and disarmament measures to be agreed in the peace settlement.

Sent to London as ——— repeated to Paris as ——— and Geneva for Clayton as ———.

[LOVETT]

Editorial Note

During a conversation on September 12, 1947, the Secretary of State and French Ambassador Bonnet discussed the question of the future regime for the Ruhr; see John Hickerson's memorandum of the conversation, in the documentation on concern of the United States with political and economic developments relating to France, in volume III.

Editorial Note

On September 14, 1947, the Polish Ambassador in the United States, Jozef Winiewicz, addressed a note to the Secretary of State protesting against the Revised Level of Industry Plan for the United States-United Kingdom zones of occupation in Germany. In a note to Ambassador Winiewicz dated September 30, 1947, the Secretary of State rejected the interpretation placed by the Polish Government on the Revised Level of Industry Plan and restated the position of the United States with respect to the Plan. For the texts of the exchange of notes, both of which were released to the press on September 30,

1947, see *Germany 1947-1949*, pages 363-365, Department of State *Bulletin*, October 12, 1947, pages 741-743, or *Documents on International Affairs, 1947-1948*, pages 633-636.

862.60/9-1647: Telegram

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

TOP SECRET

PARIS, September 16, 1947—noon.

3788. From Clayton, Caffery and Douglas. Reference London Embassy telegram 4749 to Lovett, repeated to Paris as 501, Geneva for Clayton as 144, September 2.³⁸

1. In view of the precarious political situation in France, and for the reason stated in London Embassy telegram 4749, we again strongly recommend that the informal discussions, which had commenced prior to the tripartite conference in London, be continued promptly. These discussions dealt with the establishment in the peace settlement of an international device, particularly an allocating board, for the purpose of insuring that the Ruhr would not be used as an instrument of aggression and that access to the products of the Ruhr should not in the future, as was the case in the pre-war period, be exclusively subject to the will of Germany.

2. You will recall that towards the close of the tripartite discussions Douglas was authorized to state that the US Government was prepared immediately to engage in "discussions of and to give sympathetic consideration to the establishment in connection with the peace treaty an international device for the purpose of insuring that access to production of the Ruhr shall not in the future, as was the case in the pre-war period, be exclusively subject to the will of Germany".

Douglas did not at the conference advance this proposal for reasons which were stated in London's 4660, August 27.³⁹

The French political situation is now more critical than it was at an earlier date. A continuance of the discussions referred to in paragraph one above are accordingly, we believe, more urgent than they were several weeks ago. We would appreciate your advice and authorization to continue them.⁴⁰

CAFFERY

³⁸ *Ante*, p. 1068.

³⁹ *Ante*, p. 1064.

⁴⁰ Telegram 3631, September 22, to Paris, not printed, stated that the Secretary of State had approved in principle the continuance of discussions with the French regarding the Ruhr. The Department of State deemed it preferable, however, that such discussions await the outcome of conversations between Secretary Marshall and Foreign Minister Bidault in New York. For the records of the Secretary's conversations with Bidault on September 18 and October 8, see pp. 680 and 682.

3. Attitude of the United States Regarding the Detachment of the Saar From Germany and its Integration into the French Economy

851.014/5-2047

The French Ambassador (Bonnet) to the Secretary of State

[Translation]

AB/CN
No. 184

WASHINGTON, May 20, 1947.

The Ambassador of France in the United States presents his compliments to His Excellency the Secretary of State and has the honor to inform him as follows:

At the Moscow Conference it was indicated to the Chief of the American Delegation that the French Government intended to send a commission to the Saar to study, in the light of the experience gained in the course of recent months, the readjustment of the frontier. This Commission has now completed its work and the Ambassador of France is charged with informing His Excellency the Secretary of State of the new delimitation which the French Government proposes to establish. In setting up the latter, it has paid particular attention to the opinions which were presented, in the course of the Moscow discussions, by the American authorities. The changes envisaged concern both the western and the eastern part of the territory.

In the changes made in 1946 in the boundaries of the Saar as they had been fixed in 1919, the French authorities had taken pains to assure the junction of the Saar and Luxembourg and had decided upon the union of the Saarburg district* and certain cantons of the Trêves district. It was hoped that a favorable decision would be made without delay concerning the claims of Luxembourg to a part of the Saarburg district: the extension which had been made to the benefit of the Saar was to be decreased to the same extent. As a matter of fact, no decision was made on this subject at the Moscow Conference and the French Government considers that the resulting uncertainty for the Saar frontier cannot be prolonged without disadvantage. The American experts had been informed at Moscow that the retrocession of certain communes of the Trêves district to the north of Saarburg was envisaged. Pursuing this idea, the Commission decided to give up the Saar-Luxembourg railway connection through Konz and to retain the connection between the two territories only by the highway from Merzig to Remich. It deemed possible, under these conditions, to propose the abandonment of the greater part of the Saarburg district situated to the north of this artery and to join to the Saar only twenty

* Note: The French word is *cercle*, which may be a translation of the German *Kreis*—TC [Footnote in source text—translation].

communes with a total of ten thousand inhabitants. On the west, the new frontier would start at the Moselle at the boundary of the two communes of Nennig and Kreuzweiler and would include the communes of Nennig, Sinz, Münzingen, Faha and Weiten; having joined the course of the Saar, it would then follow the administrative boundary between the Saarburg district, on one side, and the district of Merzig Wadern on the other; it would join the frontier of the territory at the junction of these two districts with the Trêves district. Thus a territory representing 62 communes, with a population of 37,000 inhabitants and an area of 394 square kilometers would be abandoned.

So far as the Wadern and Birkenfeld districts are concerned, the work of the Commission has shown the complete justification, from the economic point of view, of the additions made in 1946, which made it possible, in particular, to reestablish the administrative unity of the Merzig Wadern district as it existed before 1919. It then appeared to the Commission that it was necessary, in order to complete this work, to effect a slight addition affecting the valley of the Ostertal, which is bounded on the east by the foothills of Hunsrück and the natural outlet of which is toward the Saar. The two railways which to the north and south connect the Ostertal with the Saar network each carry three workingmen's trains in each direction daily. Before 1919, this valley belonged for the most part to the Saint Wandel district. More than a thousand Saar miners are established there and their number is increasing rapidly. Thirteen communes would be thus joined, all situated within close reach of the railway, the list of which includes particularly, from south to north, Saal, Niederkirchen, Bulach, Hoof, Osterbrücken, Schwarzerden, Oberkirchen, Freisen, Wolfersweiler and Nohfelden.

The proposals of the Commission were accepted by the French Government. By the adoption of these new boundaries, the additions made in 1946 would be decreased by 323 square kilometers, or by one third of the area and by 27,500 inhabitants, or 30% of the population. Thus an important concession would be made to the objections based on principle presented by the American authorities. The enlargement of the Saar territory would be strictly limited to the framework indicated in the note of February 18, 1946,⁴² that is to say to the inclusion, within the boundaries of the Saar, of communications lines and industrial cities which have spread out since 1919 to the neighboring districts and which are closely connected with the economic unit of the coal basin.

⁴² The substance of the note under reference is set forth in the memorandum of February 28, 1946, from Matthews to the Secretary of State, *Foreign Relations, 1946*, vol. v, p. 507.

A map of the new boundaries assigned to the territory will be transmitted at once to the Department of State.⁴³

Mr. Henri Bonnet is happy to avail himself [etc.]

H[ENRI] B[ONNET]

851.014/6-247

The British Embassy to the Department of State

AIDE-MÉMOIRE

Ref: 979/29/47

THE SAAR

His Majesty's Government in the United Kingdom would welcome an early expression of the views of the United States Government on the proposal that a tripartite agreement with the French should be made, recognising on a *de facto* basis the integration of the Saar in the economic and monetary system of France.

2. Proposals for the integration of the Saar in the French economic and monetary system were submitted by the French Foreign Minister to the Council of Foreign Ministers on April 10th, 1947. The text of his submission is contained in C.F.M. (47) (M) 120 and C.F.M. (47) (M) 114.⁴⁴

3. Owing to the opposition of the Soviet Government, the Council of Foreign Ministers was unable to agree upon the French proposals. However, the question of an agreement on the Saar between the French, the United States and the United Kingdom governments was discussed between representatives of the United Kingdom and French Delegations at Moscow. This subject of a tripartite agreement was also mentioned to Mr. H. Freeman Matthews of the State Department by a member of the British Delegation. Discussions have lately been proceeding in London between the Foreign Office and the French Ambassador.

4. There have hitherto been two main obstacles in the way of a tripartite agreement:

(a) Reparations.

(b) The French claim to extend the permanent boundaries of the Saar in accordance with the administrative arrangements made unilaterally by them in 1946.

⁴³ The map of the new boundaries of the Saar was transmitted under cover of note AB/CN No. 189, May 22, 1947, from the French Embassy to the Department of State, not printed (851.014/5-2247).

⁴⁴ For the texts of the documents under reference, Foreign Minister Bidault's statement on the Saar to the Council of Foreign Ministers in Moscow, April 10, 1947, and a French proposal for a proposed regime for the Saar, dated April 10, 1947, see *Déclarations de Bidault*, pp. 40-43. For Secretary Marshall's report on the 25th Meeting of the Council of Foreign Ministers, Moscow, April 10, at which the question of the Saar was discussed, see telegram 1297, Delsec 1414, April 10, from Moscow, p. 323.

5. As regards reparations, the informal discussions in Moscow ended in agreement between the French, United States and United Kingdom Representatives on broad principles for charging the Saar to French reparation account. Although this agreement envisaged action through the Control Council, it should not be difficult to re-write it on a tripartite basis. The British Government attach importance to having a definite agreement on reparations before accepting the French administrative proposals for the Saar.

6. As regards the boundary question, the main object of the recent discussions in London with the French Ambassador has been to induce the French Government to modify their claims. The British Secretary of State for Foreign Affairs stated in the House of Commons on the 16th May that while not excluding the possibility of minor boundary adjustments, the British Government found the greatest difficulty in accepting the boundary line proposed by the French which would both deprive the Germans of much agricultural land and give them an excuse for irredentism. As a result of our representations, the French Government have now sent us a modified suggestion for the boundary line.⁴⁵ It is thought that this suggestion has also been communicated to the United States Government. This French suggestion represents an improvement but is still not very satisfactory. Most of the North-Western extension of the "Old Saar" to include Saarburg has been abandoned, but the French still claim the *Kreis* of Wadern and adjacent districts on the ground that the population largely work in the mines and the local railways only serve this traffic. The total population involved in the extensions now proposed by the French is 64,000 as compared with 92,000 under their previous proposals.

7. The British Government are doubtful whether they will be able to move the French to modify further their attitude on the boundary line. If, however, the United States Government feel strongly that further pressure should be applied, the British Government would be prepared to make another attempt. The French Ambassador in London reports that though no formal reply has yet been received to the new French boundary suggestion, the State Department have given the impression that they have no objection to the line now proposed. If a further attempt is to be made the British Government considers that it might be best to revert to an idea which they have repeatedly put to the French Government without success, that a small tripartite commission should be set up to examine the French claims on the spot and report on their justification.

8. The British Government are strongly in favour of early tripartite action for the following reasons.

⁴⁵ The readjustments of the Saar frontier proposed by the French are described in Ambassador Bonnet's note of May 20 to the Secretary of State, *supra*.

(i) The French Government have stated that the delay in settling the Saar question is proving particularly awkward owing to their desire to introduce a special Saar currency at an appropriate moment. They do not wish to issue this currency over an area from which it might subsequently have to be withdrawn.

(ii) The British Government have always supported the French proposal in principle and been in favour of treating it as a special case, having priority over other frontier questions. They do not see why Russian unwillingness to consider the matter should be allowed to frustrate the wishes of all three Powers and consider that the disposition of the present French Government to conclude an agreement provides an opportunity of which advantage should be taken.

(iii) The differences between the British and French points of view on the boundary line do not now amount to much in substance. It seems questionable whether the extra losses of German territory now suggested would, in fact, do much to increase the strength of inevitable German opposition to the cession of the Saar itself, while from an economic point of view the extra loss of agricultural land would be relatively small.

(iv) The alternative to early tripartite action will almost certainly be a unilateral *fait accompli* by the French. The French Ambassador in London has hinted to the British Government that the United States Government might be satisfied with a *fait accompli*. The British Government, however, hold strongly to the view that such action would deprive the Americans and the British of the opportunity of showing their friendship to France besides creating an unfortunate precedent for the settlement of other European questions.

(v) Agreement on the Saar is an essential preliminary to any hopes of inducing the French to join in the Fusion Agreement for the Western Zones of Germany. The British Government consider that it would be a price well worth paying for French participation in the Fusion Agreement which would itself have great political, if not economic, advantages. The question of the fusion of the zones of Germany is one of many questions upon which no progress with the French will be possible until some satisfaction has been given to them over the Saar.

(vi) The British Government considers it desirable to strengthen the hands of the present French Government by affording them a political success in German affairs.

9. The attitude of the American Government towards the French claim to the Saar as shown in C.F.M. (47) (M) 116⁴⁶ was originally much the same as that of the British Government. The British Secretary of State for Foreign Affairs is now anxious to know as soon as possible whether the United States Government are willing to join in a tripartite agreement on the lines of the French proposals, and if so,

⁴⁶ For the text of Secretary Marshall's statement on the Saar made at the Council of Foreign Ministers' 25th Meeting, April 10, and circulated to the Council as document CFM (47) (M) 116, April 10, see *Germany 1947-1949*, p. 148, or Department of State *Bulletin*, April 20, 1947, pp. 695-696. The Secretary's statement is summarized in telegram 1297, Delsec 1414, April 10, from Moscow, p. 323.

whether they regard the latest French boundary suggestion as acceptable.

WASHINGTON, 2nd June, 1947.

851.014/5-2047

Memorandum of Conversation, by the Assistant Chief of the Division of Western European Affairs (Wallner)

CONFIDENTIAL

[WASHINGTON,] June 4, 1947.

Participants: Mr. Bérard, Minister Counselor, French Embassy
Mr. Reber—WE
Mr. Wallner—WE
Mr. Trivers—CE

Mr. Bérard referred to the announcements made by the French Government at the New York and Moscow Council of Foreign Ministers meetings that certain urgent administrative measures would be taken in the Saar with the view to its eventual incorporation into the French economy. He said that these measures had been delayed pending determination of the frontiers of the Saar territory, but that since further delay would cause too great a burden to fall on the French treasury, it had been decided to carry them out immediately. The purpose of his visit was to inform us that the French Government intended to introduce the Saar mark into the Saar territory on June 15, 1947, withdrawing the German mark from the territory on that date.

Mr. Bérard went on to explain that his Government had intended to apply this currency conversion to all territory within the boundaries of the Saar as enlarged by French action in 1946, since it was not anticipated that the views of the British and American Governments on the revised boundaries, communicated by the French to those Governments on May 20, 1947,⁴⁷ would be received in time. The French Government had not intended, however, that this decision should in any way prejudice the final delimitation of the Saar territory. Yesterday, however (Mr. Bérard went on), the British Government had informed the French Government that it accepted the May 20 boundaries. Consequently, the French Government had decided this morning that it would apply the currency conversion to the Saar territory as delimited in the French note of May 20. He emphasized again that this administrative decision in no way prejudiced such final delimitation of the territory as might be subsequently agreed upon. He said that his instructions required him to make the point perfectly clear that the

⁴⁷ *Ante*, p. 1073.

French Government was not "jumping the gun" on us and placing us before an accomplished fact.

Mr. Bérard then gave us the following time table:

On the night of June 7 to 8 the Customs officers now stationed on the 1946 borders would be withdrawn to the borders as delimited in the French note of May 20;

The announcement of the currency conversion would be made on June 10;⁴⁸

The actual currency conversion would take place on June 15.

Mr. Bérard requested that this information be held in closest confidence until June 10. He said that while he did not know what the rate established between the German mark and the Saar mark would be, he knew that it would be favorable to the Saar inhabitants and that if the news leaked out there would be a great movement of capital from all the Rhineland into the Saar, with the result of a heavy charge on the French treasury.

Mr. Bérard took advantage of this visit to review at some length the familiar French arguments for the enlargement of the Saar territory beyond the 1920 frontiers. He gave us a lengthy justification of the frontiers as set forth in the French note of May 20, 1947.

WOODRUFF WALLNER

862U.6362/6-547

Memorandum of Conversation, by the Chief of the Division of German and Austrian Economic Affairs (Kindleberger)

[WASHINGTON,] June 5, 1947.

Participants: Assistant Secretary Thorp
French Ambassador Bonnet
GA—C. P. Kindleberger

The French Ambassador called at his request. He stated that in connection with the British request for allocation of American coal in the ECO, M. Alphand of the Quai d'Orsay and Mr. Roger Makins of the Foreign Office had had discussions on Saar coal. The French had proposed that despite lack of a political decision on the future status of the Saar, it might be appropriate for the British, American and French representatives in the ECO to advise ECO immediately that

⁴⁸At the 63rd meeting of the Allied Control Council for Germany, June 10, 1947, General Koenig made a declaration concerning the new Saar boundary and the institution of a new currency in the Saar.

Saar coal would be regarded as French.⁴⁹ He stated that Mr. Makins after referring the matter to his government had stated that the British were agreeable to this provided that the change-over was made progressively and that the adjustments on the French reparation share on account of the Saar were taken care of. M. Bonnet asked whether the United States government were also agreeable to these conditions, and if so, whether it would instruct Ambassador Caffery in Paris so that the necessary technical discussions could go forward on a British-French-American basis.

M. Bonnet indicated that the Soviet Union was not particularly concerned with coal and that its refusal to agree to the French proposal for the financial and economic detachment of the Saar had been predicated on wider political considerations. Since Secretary Marshall was agreeable to separation of the Saar, M. Bonnet thought that the United States should be agreeable to the treatment of Saar coal as French in line with the exchange of letters between the Secretary and M. Bidault at Moscow.⁵⁰

Mr. Thorp pointed out that taking this step despite the fact that a political decision on the detachment of the Saar had not been made involves certain consequences which the Department would have to consider, and when it had done so, they would get in touch with the French Ambassador again.

851.014/6-247

Memorandum by the Assistant Chief of the Division of Central European Affairs (Lightner) to the Chief of the Division of Central European Affairs (Riddleberger)

[WASHINGTON,] June 5, 1947.

Subject: British Note Regarding Changes in the Saar.

As you know Mr. Henderson of the British Embassy handed me a

⁴⁹ According to a memorandum of conversation by Woodruff Wallner, Assistant Chief of the Division of Western European Affairs, dated June 7, 1947, not printed, French Minister Counselor Bérard gave the following additional explanation of the proposal to treat Saar coal as French:

"The French were perfectly willing to return to ECO for distribution elsewhere the counter-value of every ton of coal they took from the Saar. The benefit to France in this arrangement was that the increased production which they expected from the Saar, due to improved methods of operation under French control, would go to France. It was useless to tell other people how to increase production; the French had tried it with the British and had failed. The French had, therefore, reached the conclusion that the only way to get more coal out of Europe was to mine it themselves in territory under their control." (851.014/6-747)

⁵⁰ For the exchange of letters between Secretary Marshall and Foreign Minister Bidault on April 19, 1947, at Moscow, see pp. 486 and 488.

note on the above subject on the afternoon of June 3.⁵¹ At that time he indicated his Government hoped for an early reply as the matter was considered urgent.

On June 4 Mr. Henderson telephoned to say that Mr. Bevin had sent a telegram requesting the Embassy to endeavor to obtain the State Department's reaction to the British note at once. Mr. Henderson emphasized that if favorable joint US-UK action was to be taken it should be taken very quickly in as much as the French were probably going to act themselves. Therefore, if we wish to be given the credit in France for supporting them we should make our views known. Mr. Henderson indicated that Mr. Balfour would be glad to discuss the subject with Mr. Matthews if the latter wished to see him.

On June 5 Mr. Henderson telephoned again to report another urgent message from Mr. Bevin requesting a reply from the State Department. The French Ambassador in London has informed Mr. Bevin that the French are about to issue a special currency for the Saar on June 15 to be used in the expanded Saar area excluding 11 communes south of Trèves. The French would be willing to reduce the area of the Saar still further, to the territory tentatively worked out in recent discussions with the British (see British note under reference), provided the US and UK were agreeable to the French proposals.

Mr. Bevin replied that the British hoped to give a formal answer to the French at an early date and that they would do so as soon as they had obtained the views of Washington. He indicated that if Washington would agree the British would accept the boundary changes as discussed in London without prejudice to final delimitation at the peace settlement and subject to reparations adjustments.⁵²

I indicated that we were apparently being faced with a *fait accompli* on this whole question. The French were about to take action anyhow and now that Mr. Bevin has transmitted his views to the French, we would be the "bad boys" if we failed to go along. The main argument in favor of going along seemed to be that we would gain a further slight reduction in the area of the Saar and would gain a certain amount of credit with the French. I mentioned that there were other considerations to be considered and that it was unfortunate that a decision was being forced when the whole question was a very complicated one which deserved close study. There was the coal angle, for example, what effect would the contemplated changes have on the

⁵¹ Reference to note 979/29/47, June 2, from the British Embassy to the Department of State, p. 1075.

⁵² On June 11, 1947, Foreign Secretary Bevin informed the House of Commons of the British Government's approval of the new Saar frontier, subject to the conditions described here. An explanation of Bevin's statement was set forth in an *aide-mémoire*, dated June 10, 1947, from the British Embassy to the Department of State, not printed (862.014/6-1047).

coal situation? Mr. Henderson did not know. I told him we were discussing this angle of the question with the French this afternoon and that it certainly was one which must be examined before giving an answer to the British. There were other angles to be considered as well, including the effect of our action in the Soviet Union and Poland. Mr. Henderson said that Mr. W. D. Allen of the Embassy was coming over to the Department to see Mr. Matthews or Mr. Hickerson on another matter and that he would probably take occasion to discuss the Saar question at that time.

851.014/5-2247

The Secretary of State to the French Ambassador (Bonnet)

The Secretary of State presents his compliments to His Excellency the Ambassador of France and has the honor to refer to the Ambassador's note No. 184 of May 20, 1947,⁵³ describing a revision of the boundaries of the Saar territory which the French Government proposed to effect, and also to note No. 189 of the Embassy of France dated May 22, 1947,⁵⁴ in which a map of the proposed changes was enclosed.

In harmony with previous statements of the policy of the United States Government of which the Ambassador is doubtless informed, the Secretary of State in the meeting of the Council of Foreign Ministers on April 10 of this year proposed to his three colleagues the immediate detachment of the Saar from Germany and its integration into the economy of France on condition that appropriate modifications be introduced into the level of German industry and that equitable adjustment be made in French claims for reparation payments from Germany. At that time the Secretary of State expressed his willingness to agree to minor rectifications of the boundaries of the Saar territory as delimited in 1919 provided such rectifications could be clearly justified. The Secretary of State continues to regret that the unwillingness of his Soviet colleague in the Council of Foreign Ministers did not make possible a prompt quadripartite agreement for the provisional disposition of the Saar in a manner responsive to the French desires.

Since receipt of the notes cited above, the Minister-Counselor of the French Embassy informed the Department that French customs officials would take up their posts on June 7, 1947 along the line described in these notes and that a plan of currency conversion within

⁵³ *Ante*, p. 1073.

⁵⁴ Not printed.

the territory so defined would be announced on June 10 and become effective on June 15. The Secretary of State understands that public announcement of these measures has since been made by the French Government.

The Government of the United States takes note of these administrative changes introduced into the French zone of occupation in Germany with the understanding, as confirmed by the Minister Counselor of the French Embassy, that these changes are not intended by the Government of France to prejudice the final delimitation of the Saar territory which is reserved for the peace settlement with Germany.

WASHINGTON, June 12, 1947.

851.014/6-247

The Department of State to the British Embassy

The Department of State acknowledges receipt of the British Embassy's *aide-mémoire* of June 2⁵⁵ in which the views of the United States Government are sought with respect to a proposed tripartite agreement for the early integration of the Saar into the economic and monetary system of France.

After receipt of the British *aide-mémoire* the Department of State was informed by the French Embassy that on the night of June 7-8 French customs officials would take up their posts along a revised frontier line and that a plan of currency conversion within the territory so defined would be announced on June 10 and become effective on June 15. The Department understands that public announcement of these measures has now been made by the French Government.

The British Embassy is doubtless informed that the Secretary of State in the meeting of the Council of Foreign Ministers on April 10 proposed to his three colleagues the immediate detachment of the Saar from Germany and its incorporation into the economy of France on condition that appropriate modifications be introduced into the level of German industry and that equitable adjustment be made in French claims for reparation payments from Germany. At that time the Secretary of State expressed his willingness to agree to minor rectifications of the boundaries of the Saar territory as delimited in 1919 provided such rectifications could be clearly justified. The proposal advanced by the Secretary of State in Moscow continues to be the policy of the Government of the United States.

The Secretary of State has informed the Ambassador of France that the Government of the United States has taken note of the admin-

⁵⁵ *Ante*, p. 1075.

istrative changes introduced into the French zone of occupation in these past days with the understanding, which has been confirmed by the French Embassy, that these changes are not intended by the Government of France to prejudice the final delimitation of the Saar territory, a decision which is reserved for the peace settlement with Germany.

With respect to the boundary question the Department of State, on the basis of a preliminary study of the lines described in notes of the French Embassy dated May 20 and 22, is not disposed at the present time to reject the frontier determined by the French authorities. Likewise the Department has no wish to protest the projected introduction of a new currency for the Saar.

The Department is informed that M. Alphan of the French Foreign Office is proceeding to London to discuss with the British Foreign Office reparations adjustments affecting the Saar. The Department would appreciate being informed of the results of these conversations.

WASHINGTON, June 16, 1947.

862.6362/7-2447

Memorandum of Conversation, by the Assistant Chief of the Division of Western European Affairs (Willis)

SECRET

[WASHINGTON,] July 24, 1947.

Participants: The French Ambassador, Mr. Bonnet
A-A—Mr. Armour
WE—Frances E. Willis

The French Ambassador called at his request and, among other things, discussed the French proposal that the coal distributing organizations of the Saar be integrated into the French economy, beginning October 1, 1947.⁵⁶ He stated that he had approached the Department with this proposal approximately two weeks ago and had many conversations on the subject, especially with Mr. Thorp, who is at present away; that the British had agreed, but that he had received no acceptance from us of the French suggestion. He stated that this morning he had received further instructions from his Government to press for United States approval.

The French Ambassador outlined briefly the history of the French Saar proposals. He pointed out that the French proposal to incorpo-

⁵⁶ The proposal under reference was contained in a French Embassy *aide-mémoire* dated July 11, 1947, not printed. A follow-up French Embassy *aide-mémoire*, delivered to the Department of State on July 17, not printed, proposed a meeting of American, British and French coal experts in Paris on July 22 in order to reach agreement on certain aspects of the Saar coal matter. The French proposals were reviewed and renewed in a note from the French Embassy to the Department of State, dated August 11, 1947, not printed (840.6362/8-1947).

rate the Saar into the French economy had been proposed at Moscow and that Mr. Bevin and Mr. Marshall had agreed but that Mr. Bidault had been unable to obtain Mr. Molotov's approval. In view of the absence of quadripartite agreement, Mr. Bonnet pointed out that France was now proposing that Great Britain and the United States approve the integration in so far as the coal distributing organizations are concerned. He indicated that France wished to make the transition gradual and was therefore proposing an arrangement whereby the loss to the ECO in October would be only 60,000 tons, in November 120,000 tons, and in December 180,000 tons. He pointed out that had Molotov given his consent in Moscow the French would have begun to take all of the Saar coal in May or June of this year and that the loss to the other countries would have been much greater. He urged on the basis of the reasonableness of the French proposal that we give our approval.

The Ambassador also said that he could not believe that we would want "to hide behind the Russians' skirts". We had committed ourselves to support of the French request in Moscow and he hoped that the fact that Mr. Molotov did not agree would not cause us to change our position.

The French Ambassador added that we had advanced many objections of a technical nature but that there had been only two of real weight: (1) the loss of dollars to the bizonal area, and (2) the reduction in the amounts of German coal available for the bizonal area and for export. He said that if production in the Ruhr were increased both of these objections would be overcome. He emphasized the importance of this question to the French and expressed the hope that we would be able to agree to the French proposal at an early date.

Mr. Armour assured M. Bonnet that we would look into the question immediately and try to let him have something on the subject as soon as possible.

862.60/8-647

*Memorandum by the Deputy Director of the Office of European Affairs (Hickerson) for the Secretary of State*⁵⁷

CONFIDENTIAL

[WASHINGTON,] August 11, 1947.

Subject: French Request to Begin Transfer of Saar Coal Resources to France

Discussion:

1. The French Government has requested the United States and British Governments to agree that, as of 1 October 1947, the Saar

⁵⁷ The source text is endorsed "L" in Under Secretary Lovett's hand.

should be considered as economically attached to France in so far as coal distribution is concerned and that the European Coal Organization be so informed. The French request presumably is based on the expressions of agreement to the economic incorporation of the Saar with France made by Mr. Byrnes,⁵⁸ your statement to Mr. Bidault at Moscow⁵⁹ and the similar position of Mr. Bevin. Although your statement did not commit us in the absence of Russian agreement to economic integration, it is not believed that the United States should continue indefinitely to consider that lack of quadripartite agreement on this matter is a bar. The great importance to France of resolving this issue and of being given every practicable opportunity of increasing her coal availabilities, makes favorable consideration of her proposals desirable.

2. The French have asked us to discuss with them and the British, as a matter of urgency, the measures necessary to accomplish their objectives in this field. The specific measures proposed by the French would result in a reduction of the supply of coal available for use inside Germany, a reduction of coal exports from Germany, with a consequent loss by the bizonal authorities of export proceeds, and an increase of the French coal supply. While there is no necessity for accepting the French proposal as made, it is believed that the agreement eventually to detach Saar coal from the rest of Germany must necessarily have contemplated a decrease at that time in the total German coal supply and therefore either a decrease in use inside Germany or a decrease in exports to other countries and a loss of export proceeds. The only questions therefore relate to when the detaching of Saar coal will take place and the conditions under which it will take place.

3. As to timing, it is believed that the latest time will be at or immediately after the November CFM meeting. If then the U.S.S.R. agrees to economic incorporation of the Saar into France, there will be quadripartite agreement. If Soviet agreement is not obtained, it is to be anticipated that no general agreement on German economic unity will have been reached and the French have indicated that they will then agree to fusion of their zone with the U.S.-U.K. zones. This would necessarily require a solution of the Saar question. The French would like an earlier agreement on the Saar. It is not believed that an immediate agreement is possible for the following reasons:

(a) Any agreement with the French which shifted the burden of decreased German coal supply on the other countries importing coal

⁵⁸ See the letter of September 25, 1946, from Secretary of State Byrnes to Foreign Minister Bidault, *Foreign Relations*, 1946, vol. v, p. 610.

⁵⁹ The reference here is presumably to the statement on the Saar made by Secretary Marshall at the meeting of the Council of Foreign Ministers in Moscow, April 10, 1947; see telegram 1297, Delsec 1414, April 10, from Moscow, p. 323.

from Germany could not be reached during the current Paris Conference without seriously prejudicing the conference. Coal is basic to the plans of the conferring countries and any action outside the conference to decrease the coal supply of the countries other than France would necessarily be unfortunate.

(b) Any agreement which decreased German coal exports would reduce the dollar proceeds of the U.S. and U.K. in equal shares under the present bizonal agreement. Such a reduction in British dollar receipts could not be agreed to without a more general agreement on the British financial responsibilities in Germany.

Therefore, it seems that final agreement on the Saar should not be sought pending further developments at the Paris Conference⁶⁰ and in the U.S.-U.K. financial talks.⁶¹ We should be prepared, however, to reach final agreement by November at the latest.

4. As to the substance of the eventual agreement on the Saar, the general characteristics should be as follows:

(a) The level of coal availability inside Germany should be sufficient to meet essential increases of German production. This can be achieved by relating the shift of Saar coal to France to increases in production in the Saar and in the bizonal area. Agreement to treat Saar coal as French need not preclude the Saar from continuing to contribute to the supply of the French zone, or if there is tri-zonal fusion, the western fused zones. The current French proposals recognize this.

(b) Any reduction in the amount of coal exported from the Ruhr Aachen area to countries other than France should be minimized to the greatest extent possible. The U.S. has reserved the right in participating in the allocation of German coal in ECO to support rearrangement of the shares of German coal so that the French will not get undue advantage from the incorporation of the Saar.

(c) The loss of coal export proceeds which would result from the Saar detachment from Germany will create a dollar deficit which will have to be made up by outside financing of essential imports. In view of the British inability to increase its expenditures in Germany, it will be necessary for the U.S. to increase its financing of German imports to cover this deficit. This deficit might amount to \$20,000,000. a year, according to OMGUS estimates. Other estimates have put the possible deficit at about twice that amount. This is small in relation to the expenditures we have made and will make for European recovery and what is lost on German dollar income will be offset by a corresponding help to the French dollar position.

Recommendations:

I. That you discuss this situation as a matter of urgency with the Secretary of War in order to obtain his concurrence in the proposal that we tell the French, confidentially, that we will agree to the eco-

⁶⁰ The Conference of European Economic Cooperation, held in Paris, July 12-September 22, 1947; for documentation, see volume III.

⁶¹ For documentation regarding the British dollar crisis and the revision of the Anglo-American Financial Agreement of 1945, see volume III.

conomic integration of the Saar into France at or immediately after the CFM meeting in November at the latest, and irrespective of whether quadripartite agreement on Germany is then achieved. This advice to the French should be given in connection with the level of industry talks in such a manner as to obtain the greatest bargaining value.

II. That, subject to such concurrence:

(a) You approve immediate informal conversations with the British and French to reach an understanding on the terms upon which such economic incorporation will take place;

(b) That you approve the objectives set forth in paragraph 4 (a), (b) and (c) above as guidance to the U.S. negotiators.

Concurrences:

A-H (Saltzman); A-T (Wood).

862.6362/8-2547 : Telegram

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

SECRET
URGENT

LONDON, August 25, 1947—midnight.

4613. At today's restricted meeting⁶² Massigli pressed me to request Department to make the decision in the very near future to support the French desire to incorporate the Saar in the French economic and financial system and to agree to hold detailed negotiations on the transfer of Saar coal to France over a period of time as they requested in their note of last month.

It was made clear to the French by the British and ourselves that we were not prepared to accept the French proposals for the transfer of coal made in their July note. The French however, urgently desire a decision in principle and the commencement of negotiations at an early date which will provide them with some concessions, principally, I think, for public appeal in France.

Since I understand the Department has been considering this matter for some time, I suggest it attempt to meet the French desire for early detailed negotiations by agreeing to the principle involved unless the effect on the November CFM is believed too serious. The French, of course, consider that reason for delay in view of our position in other matters is rather inconsistent.

⁶² The reference here is to one of the meetings in the American-British-French conversations on the revised level of industry plan for the Western zones of occupation in Germany, held in London, August 22-27, 1947. Other reports on these conversations are printed *ante*, pp. 1047-1066.

I realize of course that consideration must be given to the effect of any transfer of Saar coal to France on German balance of payments and ECO countries.

Sent Department 4613; repeated Paris for Caffery 482, Berlin for Clay and Murphy 403, Geneva for Clayton 134.

DOUGLAS

862.6362/9-547 : Telegram

The Political Adviser for Germany (Murphy) to the Ambassador in the United Kingdom (Douglas)

TOP SECRET

BERLIN, September 5, 1947—2 p.m.

319. Confirming our telephone conversation,⁶³ Clay wired Draper 3 September substantially as follows on the subject of Saar coal and the forthcoming Berlin meeting on this subject.

At London conference we and the British agreed to meet in Berlin with the French to reconsider the question of coal export from Germany. The French proposed a graduated increase in the percentages included in the Moscow agreement to be extended beyond the limits of the Moscow agreement which stopped at a production figure of 370,000 tons per day. The French claim that their proposal was based on a gradual absorption of Saar coal into the French economy to be replaced in the American and French zones of Germany with Ruhr coal. This will of course reduce the amount of Ruhr coal available for export to other nations. As you know, in the past we have objected to replacement of Saar coal in the American and French zones of Germany by Ruhr coal because it would involve a loss of coal for other European nations and also because this reduction in export would in fact reduce our revenue.

However, in agreeing to the eventual integration of the Saar economy with the French economy we unquestionably accepted the utilization of Saar coal by France as if it were French coal. While we did not fix the date on which such integration would take place, presumably it depended upon quadripartite agreement or else an inability to obtain quadripartite agreement. Facing the fact that this integration is to take place at some time in the future, it may be well to start now with a small token reduction in utilization of Saar coal in Germany to be increased gradually as coal production in the Ruhr increases, with full absorption of the Saar coal into the French economy contemplated when the Ruhr reaches full production of approximately 400,000 tons per day. Our policy must be determined now if the coal

⁶³ No record of the conversation under reference has been found.

conference to take place here shortly is to be successful. I recommend that we be authorized to negotiate with the French for a gradual absorption of Saar coal into the French economy trying, on our part, not to permit this absorption to begin until production has reached 280,000 tons per day, and holding it to the minimum until Ruhr production begins to approach normal figures. I believe it is desirable to make some concession to the French in this respect but of course not to permit an immediate absorption of Saar coal in view of the serious effect it would have on exports.

The French also desire to be assured a specific percentage of coke in the Ruhr coal allocations. This can be done in part on a ton for ton basis to the extent that the gas resulting from coke production can be utilized in Germany. However, beyond that point it will be necessary to charge seven-tenths of a ton of coke as equivalent to a ton of coal. We do not know as yet what the French demands for coke will be so that we are not at this stage able to determine our ability to meet the French demand in full.

Would appreciate early advice on the premises.

Sent London personal for Douglas as 319, repeated to Department personal for Thorp as 3041.

MURPHY

862.6362/9-547 : Telegram

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

TOP SECRET

WASHINGTON, September 5, 1947—9 p.m.

3868. For the Ambassador. Following cable being sent CinCEur, Berlin re US-UK talks with French in Berlin on coal, coke and Saar coal. CC 14732 from Clay, 3041 from Murphy (sent London personal for Douglas as 319⁶⁴) and Nos 4801 and 4802 from London⁶⁵ considered in preparing this cable:

"1. Urad has been considered here in light new French note of 4 Sept⁶⁶ requesting Berlin coal discussions be broadened to include not only gradual absorption of Saar coal output by France but also upward revision of percentages of German coal output to be exported under Moscow sliding-scale agreement.⁶⁷

2. State Dept informing French upward revision of percentages of sliding-scale agreement as proposed by them at London Conference

⁶⁴ *Supra.*

⁶⁵ Neither of the telegrams under reference, both dated September 4, are printed.

⁶⁶ Not printed.

⁶⁷ Reference here is to the agreement between the United States, the United Kingdom, and France regarding the regulation of coal exports from the western zones of occupation of Germany, the subject of the exchange of letters between Secretary of State Marshall and Foreign Minister Bidault, April 19, 1947, pp. 486-488.

entirely unacceptable. (See para. 1 a London's 422 to Berlin of 4 Sept.⁶⁸) Concur, however, in ur suggestion that you negotiate gradual absorption of Saar coal into French economy provided that such diversion of Saar coal to France should begin only after status of Saar is changed. For ur info US prepared to change status of Saar, in connection with trizonal unification, by tripartite decision immediately after CFM if latter does not reach agreement on question and French will be so informed. Until status of Saar changed, Saar coal must be regarded as German coal and to extent exported must be added to export pool allocated by ECO. To make special agreement on distribution of Saar coal before change of Saar status would be to circumvent ECO, successful organ of European economic cooperation, at very time we are insisting on achievement maximum European cooperation at Paris.

3. In negotiating agreement re progressive absorption of Saar coal by France, it should be understood that such action is without prejudice to any resulting changes in allocation of pool ECO might make. It should also not prejudice eventual discussion of question of payment for Saar coal which will continue to be consumed in Germany, since we may wish to insist in eventual discussions on trizonal (or quadri-zonal, if CFM reaches agreement on treatment of Germany as economic unit) fusion on French contribution to support of German economy in form of cost-free Saar coal.

4. We have no objection to adjustment of export percentages in sliding-scale agreement to take into account any agreement you may reach on progressive withdrawal of Saar coal from German coal pool available for German consumption and export.

5. French being informed here accordingly.

6. British views sent by Foreign Office to Berlin have been furnished us.

7. In view of urgency suggest you coordinate views with British there. If you feel you do not have sufficient latitude for negotiation with French, cable your views."

Repeat to Paris for Ambassador.

LOVETT

862.6362/9-647: Telegram

The Acting Secretary of State to the Political Adviser for Germany
(Murphy)

TOP SECRET

WASHINGTON, September 6, 1947—3 p.m.

URGENT

1828. For Murphy and Clay. Following note handed French Chargé d'Affaires this morning:

"The most careful consideration has been given to your note No. 295 of September 4, 1947,⁶⁹ which contained the desiderata of your Govern-

⁶⁸ Not printed; the same as telegram 4801, from London.

⁶⁹ Not printed.

ment with respect to the scope of the tripartite conversations on German coal which are scheduled to open in Berlin early next week. In particular the note set forth the desire of your Government that the United States representative at the talks be empowered to seek a solution of the problems to be considered within the framework of the French proposals, previously communicated to this Government, that the coal of the Saar be progressively considered as French rather than German.

You are familiar with the firm desire of the United States Government to see accomplished the economic integration of the Saar territory with France. My Government regrets that the failure of the occupying powers to reach unanimous agreement has so long delayed this integration; it will continue to support French wishes to that end.

The French Government has proposed that, in advance of a change in the status of the Saar territory, progressively increased quantities of Saar coal be allocated by tripartite agreement to France and that the European Coal Organization be so informed by the representatives of France, Great Britain and the United States. It is the contention of the French Government that there is no legal impediment to such tripartite decision since exports of western German coal have for some time been determined on a tripartite basis. While such legal impediment does not exist, my Government believes that any tripartite decision to allocate Saar coal directly and in advance of a change in the territorial status of the Saar and so remove part of German coal exports from the allocation procedures of the European Coal Organization would not only be inconsistent with the support which both our Governments have heretofore given to that useful organization but would also not be in harmony with the spirit of the Committee on European Economic Cooperation at which sixteen European nations are represented and in which France is taking a brilliant part. Consequently, my Government feels it cannot agree to such a decision at this time.

Desirous, however, of preparing the way for the change in the status of the Saar territory which it has agreed to support, my Government has instructed its representative at Berlin to participate in negotiations with respect to the transfer of Saar coal from the German economy into the French economy, such transfer to take effect immediately upon the change in status of the Saar territory which both our Governments wish to see effected. The negotiations would not, however, cover the financial problems incident to such transfer.

In addition, the representative of my Government in Berlin will discuss, as was agreed recently in London, the French request that there should be an adjustment of the present arrangements to permit of a greater proportion of coke in the present export allocations and that there should be a review of the sliding scale agreement for Ruhr coal and coke exports with a view to extending it beyond the present figures."

Following remarks were made orally to Chargé d'Affaires after delivery note.

1) French Government has given us oral indication of its willingness fuse its zone with trizonal area after November CFM if latter

does not result in economic unification Germany by four-power agreement. US Govt for its part now declares its willingness agree to economic integration of Saar into France by tripartite decision immediately after November CFM if latter does not agree to such integration and in connection with French decision to fuse French zone with bizonal area.

2) Agreement to be negotiated for transfer Saar coal to France would take effect immediately upon change of status of Saar territory. Lacoste was especially invited to note that it was felt, as indicated in note, that financial aspects of transfer should not be discussed at Berlin. These aspects would, of course, play important part in negotiations for trizonal fusion.

3) Our decision to negotiate for transfer Saar coal to France to take effect at time of integration of Saar into French economy was without prejudice to US position in ECO in event ECO wished make compensatory changes in allocations coal available to ECO pool.⁷⁰

Sent Berlin as 1828; repeated Paris for Clayton and Caffery as 3364 and London for Douglas as 3871.

LOVETT

862.6362/9-1247 : Telegram

*The Political Adviser for Germany (Murphy) to the Acting
Secretary of State*

SECRET

BERLIN, September 12, 1947—10 p.m.

URGENT

3087. Personal for Lovett. Below is text of cable ⁷¹ OMGUS to War reporting results Berlin coal discussions.

Three principal points have been covered in tripartite coal talks with agreement on first two. We are able to meet French requirements for coke to their complete satisfaction. We have also reviewed French proposals for withdrawal of Saar coal and consider them acceptable. Concomitant adjustment of sliding scale to reflect such withdrawals similarly agreed. All Saar discussions on hypothetical basis with French readily admitting that no withdrawals would be made until settlement Saar status.

⁷⁰ Telegram 3631, September 22, to Paris, not printed, reported that in reply to the Department's note of September 6 and the oral remarks made to the French Chargé the same day, the French Embassy stated *inter alia* that the French Government could agree to trizonal fusion only "within the framework of preliminary settlement essential problems relative to three zones such as status of Ruhr; political and territorial organization; demilitarization and occupation; or at very least immediate aspects these problems." (862.60/9-1647) American-French discussions regarding trizonal fusion were carried on before, during, and after the Fifth Session of the Council of Foreign Ministers, November 25-December 12, 1947. For documentation regarding the Council session, see pp. 676 ff.

⁷¹ Telegram CC-1572, September 11, 1947, from Clay in Berlin to the War Department (USPolAd Germany 1947 Files: Lot F-80, Box 69, File-863.6 Coal).

Agreement on coke reads as follows:

"1. The three delegations considered the requirements of coke exports as submitted by the French delegation and agreed that those requirements were within the capacity of the German coking industry at the levels of production of the coal industry as anticipated in the reply given to the Committee of European Economic Cooperation.

"2. They recommend that a statement be made to ECO or its successor organization that when the daily gross clean hard coal output of the Ruhr and Aachen reaches 300,000, 330,000, 350,000 and 400,000 tons per day, the bizonal authorities will be able to include within the total export of net merchantable fuel 7.6, 8.4, 9.2 and ten million tons of coke respectively, if in fact this tonnage of coke is required by the member countries of the organization.

"3. At the same time the members of the organization should be informed that if this proportion of coke is exported to the receiving countries, it will be necessary to alter the proportions of other qualities of fuel made available for export.

"4. The attention of ECO or its successor organization should be drawn to the fact that the increased proportion of coke exports may tend to accentuate the already apparent transport difficulties owing to the greater bulk of coke as compared with coal.

"5. In the event that the increased coking program necessary to meet the estimated total coke requirement for both indigenous and export consumption results in the bizonal area being unable to utilize economically the whole production of gas, the export tonnage level shall be adjusted to account for the losses of gas due to such excess coke production caused by export demands.

"6. Any surplus gas arising from the circumstances referred to in paragraph five above and exported from Germany shall be calculated on an equivalent coal tonnage value and deducted from the German coal deliveries to the nation importing the gas."

Agreement on Saar hypothesis reads as follows:

"1. As a hypothesis, which it would be useful to look into without commitment pending discussions at government level, the three delegations examined the French proposals for the gradual removal of Saar production from the German pool.

"2. It was agreed that the time factor envisaged in the plan appeared a reasonable one from the experts point of view on the assumption that it would come into force before the allocations are adopted for the first quarter of 1948 and did not reach its finality until Ruhr-Aachen output reached 330,000 tons per day, which is the output envisaged during the fourth quarter of 1949 in the replies made by the bizonal authorities to the Committee of European Economic Cooperation.

"3. The three delegations examined the figures included in the French proposals for the French zone and the Saar internal requirements. The figures show an increase in consumption in the truncated French zone of approximately 20% over the range of the table. The three delegations felt that this was acceptable.

"4. The French delegation point out that the table has been calculated on the basis that the French zone's proportion of the net merchantable fuel available to the three western zones is 12.5% as calculated in the table submitted by the British delegation, but that this does not prejudice the possibility of future adjustments."

Salient portions of Saar tables are (one thousand metric tons) :

Ruhr-Aachen Daily Output	Annual Saar Contribution to German Pool	Percent of Bizonal Net Merchantable Production to be Shipped to Export and French Zone
250	5897	22.4
260	5700	22.7
270	5058	23.3
280	4279	24.1
290	3936	24.2
300	2980	24.9
310	2322	25.5
320	1404	26.2
330		27.3

On last point, regarding projection of Moscow sliding scale, after most careful bizonal scrutiny of minimum requirements we reached conclusion that not even present 25% top export rate could be justified during period of Ruhr-Aachen production increase from 330,000 to 400,000 tons daily, if we were to reach full level of industry output when coal production reached 400,000. However, in view of our instructions, we offered to maintain 25% export rate from 330,000 to 440,000 although this means deferring attainment new level of industry until 440,000 ton figure reached, which to all practical purposes would nullify its establishment. We accept that maximum production of 440,000 tons must be reached in Germany for new level of industry to be reached in full, but do not see how we can do any more. We asked French to accept our undertaking (a) not to cut export rate below present top of sliding scale and (b) to reexamine entire position when factors involved can be more accurately assessed.

Sergent expressed satisfaction with friendly manner in which meeting had been conducted but said there would be disappointment over inability to agree on projection of sliding scale at higher percentage. He will go to Paris to discuss situation in detail and expects return here early next week. We made it quite plain that all agreements of conference must be accepted as a whole in satisfaction of French reservations at London, and that while not asking for a public announcement of acceptance of the new level of industry, we would expect no sniping from government quarters. Unless we received such assurances we said we could not undertake to ratify any of the agreements of the conference.

An agreed tripartite announcement was issued this morning as follows:

"1. The tripartite conference on coal and coke which, as the outcome of the recent London conference has been meeting in Berlin for the past few days, has considered the various aspects of the questions which were referred to it.

"2. The conclusions reached and matters still pending will require further study and consultation before a final announcement can be made, including reference to the respective governments. It is expected that further meetings of the conference will take place in the coming week."

French particularly asked that nothing be said to the press beyond this announcement.

Sent Department personal for Lovett as 3087, to London personal for Douglas 333, to Paris personal for Caffery as 408.

MURPHY

862.6362/10-147: Telegram

The Political Adviser for Germany (Murphy) to the Director of the Office of European Affairs (Hickerson)

SECRET

BERLIN, October 1, 1947—8 p.m.

3244. Personal for Hickerson. The following cable was sent September 30 by General Clay to War:

"Reference your WX 87,260.⁷²

"Please inform State Department that we have just been advised by French Military Government that draft of agreement under discussion by tripartite coal conference has been referred to Bidault in New York and will probably be taken up with State Department. We are surprised that matter still under discussion here should be referred to such high governmental level, but under circumstances request you inform State as follows:

"Our cable CC-1572⁷³ of September 11 outlined progress in coal talks at that date. Since then two sessions have been held in attempt to formulate mutually acceptable statement of extension of Moscow sliding scale and Sergent took with him to Paris for clearance with Alphan and our proposed draft communiqué which reads:

"1. In order to take account of the reservations made by the French Government during the tripartite talks in London on the bizonal level of industry, discussions have now taken place in Berlin between the French, American and British authorities on the distribution of coal and coke from western Germany.

⁷² Not printed.

⁷³ The text of telegram CC-1572 was transmitted in telegram 3087, September 12, from Berlin, p. 1093.

"2. The French delegation asked that there should be an adjustment of the present arrangements to permit of a greater proportion of coke in the present export allocation. It was agreed that such an adjustment can be made, and the bizonal authorities have undertaken to export coke, if required by the importing countries, as follows:

"When daily gross clean hard coal output in the Ruhr-Aachen reaches 300,000 tons, to export 7.6 million tons of coke; 330,000 tons, to export 8.4 million tons of coke.

"It is anticipated that with hard coal output rising above 330,000 tons daily, coke exports can be increased further in accordance with the requirements put forward in the conversations.

"3. With regard to the projection of the scale to show allocations for export when production rises to higher figures than those shown on the scale, it was agreed that it would not be advantageous to settle this matter definitely at this stage. The rate at which coal production can be increased is difficult to foresee. Likewise, the pace at which bizonal economy can be brought up to the level established by the new bizonal plan is difficult to assess, though it has been agreed that it shall be at a pace not greater than that at which the recovery of the democratic countries of Europe takes place.

"It was agreed to extend the operation of the present sliding scale to the end of 1948, at which time, at the latest, its extension will be examined.

"The British and American representatives gave assurances that they would participate in this latter examination with full sympathy for the needs of the democratic countries of Europe and with a view to establishing export allocations at not lower than the percentage obtaining at the top of the present sliding scale.

"During the period in which coal production is increasing to 440,000 tons daily every effort will be made to obtain increased efficiency in the utilization of coal so as to make an export target of 30 percent possible thereafter. This percentage would be calculated on the same basis as the percentages in the present sliding scale."

"We have had no reaction from Paris until advice today that matter had been referred to Bidault in New York."⁴

"Our most careful calculations indicate that our undertaking to maintain 25 percent export ratio until Ruhr-Aachen production

⁴ Foreign Minister Bidault headed the French Delegation to the Second Regular Session of the United Nations General Assembly, meeting in New York, September 16–November 29, 1947. For the records of the Secretary of State's conversations with Bidault in New York on September 18 and October 8, see pp. 680 and 682.

Agreement on the communiqué regarding the Tripartite Berlin coal talks of September 1947 was reached in November, but final action on the communiqué was postponed pending a collateral agreement regarding the withdrawal of French reservations to the revised plan for the level of industry in the United States-United Kingdom zones of occupation of Germany; see telegram W-90954, November 22, to Berlin, and footnote 72, p. 725. Regarding the communiqué as finally released to the press on December 23, 1947, see the editorial note, p. 1103.

reaches 440,000 tons daily will not give us sufficient coal to attain new level of industry until 440,000 ton output is achieved. We have therefore been unwilling to consider any undertaking to increase export percentage until 440,000 ton level is reached. As indicated in the last paragraph of draft communiqué, we are prepared to envisage 30 percent for exports thereafter.

"French have indicated that even if we reached agreement on sliding scale extension, they would still wish to take up with us their reservation on the level of machine tool production, the manufacture of chlorine, and on the matter of prohibited industries. We stated that we would be glad to discuss these matters at any time, but that agreement in such discussions could not be made a condition for acceptance of the level of industry plan. We expressly stipulated that agreement on the three points on the agenda must be accepted in full satisfaction of the official French reservations."

Sent Department 3244, Paris personal for Caffery by air pouch.

MURPHY

862.515/11-1347 : Telegram

The Secretary of State to the Embassy in France

SECRET

WASHINGTON, November 13, 1947—7 p.m.

4229. Dept notified recently of French intention to introduce French currency in Saar middle Nov and requested therefore to negotiate new agreement on trade between bizonia and Saar providing for settlement any balances in dollars within framework trade offset payment agreement between bizonia and France. French given *Aide-Mémoire*⁷⁵ expressing US surprise introduction French currency in Saar particularly in view expressed US intent to expedite tripartite decision on official change Saar status after CFM in connection trizonal fusion talks. US therefore could not recognize *de facto* incorporation Saar into French economy through introduction French currency by conclusion new trade agreement. Understood here Brit took same position. OMGUS advised to continue treating Saar trade as French zone trade.

On Nov 6 French submitted new note⁷⁶ intimating intention to proceed despite US attitude and renewing request we participate in tripartite expert discussion in London to settle technical questions arising out of proposed French action. Present thinking here is to reaffirm

⁷⁵ Department of State *aide-mémoire* to the French Embassy, dated November 5, 1947, not printed (862.515/11-2447).

⁷⁶ The reference here is to a French Embassy *aide-mémoire*, dated November 10, 1947, not printed (862.00/11-1047).

US position, to maintain we cannot recognize *de facto* or *de jure* French steps incorporating Saar into French economy in advance agreed decision on change in status of Saar. Before reaffirming this, Dept communicating through BritEmb with Brit govt to make sure latter concurs. Latter step thought necessary because French note claims Brit agreement to meeting of experts provided US agrees.

Sent to Paris and repeated to USPolAd, Berlin, as Depts. 2300 and to London for Murphy and Gallman as Depts. 4832.

MARSHALL

862.515/11-1547 : Telegram

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

CONFIDENTIAL

PARIS, November 15, 1947—noon.

URGENT

4899. After brief debate Assembly yesterday voted 416 to 184 a law introduced by government establishing French franc as currency of Saar region (mytel 4855, November 13⁷⁷).

This law was suddenly deposited in Assembly; jammed through Foreign Affairs and Finance Committees yesterday morning; debated and passed by Assembly yesterday afternoon; immediately referred to Council of Republic and passed by that body last night.

In his speech defending measure M. Bidault, replying to arguments that measure was premature since economic union of Saar with French had not yet been approved, said that new law was merely another preliminary measure and that he expected that approval of big powers would be received during coming session of Conference of Foreign Ministers. He added that in any case Saar question must be definitely and rapidly settled "and will be in any circumstances". Bidault blamed Soviets exclusively for delay in approval and said "Allies had been kept informed of French intentions". The only criticism of bill came from Communists who termed it unilateral decision on part of France re problem which could only be settled by great powers. Communist speakers went on to characterize proposed union of Saar with France as tip from US in reward for France's giving up reparations and her proper share of Ruhr coal. Communists also charged that law would require issuing of 48 billion francs in additional currency and place unbearable burden on neighboring French departments, which would now have to feed Saar population.

⁷⁷ Not printed.

Law provides that entry into effect will be determined by later decrees but in debate Bidault indicated government's intention of implementing law without delay.⁷⁸

Sent Department 4899; repeated London 839, to Moscow 531 and Berlin 422.

CAFFERY

862.515/11-1347: Telegram

The Acting Secretary of State to the Embassy in France

SECRET

WASHINGTON, November 21, 1947—7 p.m.

URGENT

4314. British Emb Washington has communicated to Dept its Government's suggested course of action with French concerning introduction French currency Saar (reDeptel 4229, Nov 13⁷⁹). First step would be parallel UK-US representations Paris designed persuade French to take no immediate action under powers voted by Assembly and urging postponement currency exchange.

After you have concerted with British colleague, make immediate representations to French along following lines: by *aide-mémoire* of Nov 5⁸⁰ Dept made known to French Emb its position regarding Saar currency. Since that time French Govt has received from Assembly necessary authorization to introduce French currency into Saar. This has not changed Dept position. Actual change of currency would be a further and most important step toward economic incorporation of Saar into France. Since French, UK and US deputies CFM have agreed to placing German boundary questions on CFM agenda, US considers currency change would be inappropriate immediately before CFM meeting and would give some justification to claim that unilateral action on boundaries had been taken. US, therefore, urges that French refrain from implementing Assembly action prior to clarification of CFM results.

For your info only, British further suggest "If these representations failed, a formal protest coupled with a statement that pending the outcome of the CFM, HMG and the USG would be willing to leave present arrangements for interzonal trade undisturbed provided that the French for their part would undertake: (a) not to alter the present basis of that trade by diverting to France that part of Saar production

⁷⁸ French currency was introduced into the Saar on November 20. The French representative on the Allied Control Council for Germany announced the action at the Council's 75th Meeting, November 21; see telegram 3611, November 22, from Berlin, p. 900.

⁷⁹ *Ante*, p. 1098.

⁸⁰ The substance of the Department's *aide-mémoire* under reference is set forth in telegram 4229, November 13, to Paris, p. 1098.

which now goes to the Combined Zone, and (b) not to ask that exports from the Saar to the Combined Zones be credited to the French offset account."⁸¹

Reptd. to Berlin and London for Emb and Secdel.

LOVETT

862.00/11-1047

Memorandum of Conversation, by the Associate Chief of the Division of Western European Affairs (Wallner)

SECRET

[WASHINGTON,] December 2, 1947.

Mr. Berard was invited to call at the Department to receive the Department's oral reply to the French Embassy's *aide-mémoire* of November 19, 1947⁸² concerning the introduction of franc currency in the Saar.

Mr. Wallner made the following points:

(1) by *aide-mémoire* dated November 5, 1947 the Department informed the French Embassy of its view that any change in the status of the Saar should be effected in an orderly and agreed manner and that pending such agreed change of status the US would continue to treat the Saar as part of the French zone for purposes of trade in the bizonal area;

(2) the US Government has at no time agreed to the introduction of the franc into the Saar;

(3) the Department reaffirms the position stated in its *aide-mémoire* of November 5 and accordingly sees no useful purpose in the French suggestion for a meeting of experts in London to discuss the consequences of the currency conversion, and

(4) in respect to the new element in the French *aide-mémoire* regarding a change in the administration of the Saar mines, the Department fully reserves its position.

Mr. Wallner added that while the French *aide-mémoire* had indicated British agreement with the French position and with the French suggestion for a conference of experts, conversations with the British Embassy gave the definite impression that the British Government, like our own, regarded the introduction of the franc into the Saar as premature and inopportune.

⁸¹ In his telegram 5040, November 24, from Paris, not printed, Ambassador Caffery reported that the British Embassy in Paris had not received instructions regarding parallel American-British representations to the French Government (862.515/11-2447). Telegram 4386, December 2, to Paris, not printed, replied that since the Saar currency exchange had been announced by the French in the Allied Control Council for Germany and in view of the British Embassy's lack of instructions, it was believed by the Department that there would be no useful purpose in further protest or representations in Paris (862.515/11-2447).

⁸² The French *aide-mémoire* under reference is described in telegram 4229, November 13, to Paris, p. 1098.

Mr. Berard took careful note of the above remarks and replied that he regretted the impression that apparently prevailed in the Department to the effect that the French Government was seeking to obtain the retroactive acquiescence of the US Government to the currency conversion. He stated that the currency conversion had not been decided on for the purpose of forcing American recognition of a further step in the incorporation of the Saar into the French economy. He said that the decision had been taken for purely technical reasons based on the present favorable sentiments of the Saar population towards France, sentiments which might later prove less favorable to such conversion. He said he quite understood the American position in refusing to recognize the conversion but that he was deeply disturbed at the practical implications of our refusal to discuss the effects of this conversion on trade between the Saar and the bizonal area. He expressed his fear that this would cause disruption of the normal economic exchanges between the two regions, possibly to the detriment of the American zone.

Mr. Wallner replied that the French should not worry too much about the American zone. He added that whatever the reasons for the conversion, it had created a very poor impression in Washington and that it would appear to be the part of wisdom for the French Government in these difficult times to avoid steps concerning Germany which produced friction with the British and American Governments.

In parting Mr. Berard again expressed his concern at the practical effects of our refusal to discuss the consequences of the conversion on trade between the Saar and the bizonal area.

862.00/12-1747: Telegram

The Acting Secretary of State to the Consul in Baden Baden (Mayer)

CONFIDENTIAL

WASHINGTON, December 23, 1947—6 p.m.

516. Circumstances cited urtel 54 Dec 17⁸³ do not necessitate any change your attitude re Saar. Status of Saar under new government and French-approved constitution is still regarded as provisional, pending formal confirmation by international agreement. US has

⁸³ Not printed; it reported that the French Government had approved the draft constitution for the Saar, previously approved by a commission of Saarlanders. The Saar *Landtag* thereupon voted legislation necessary to implement the constitution and declared the constitution to be in effect. Government leaders were also elected at this time. (862.00/12-1747)

Article 1 of the Saar constitution provided that the Saar was an autonomous territory economically attached to France.

noted such unilateral steps by French without protest and thus has neither approved nor disapproved.

For your background info Sec statement on frontiers at CFM Nov 27 contained following:

“With regard to Saar, US supports claim of France to econ integration of Saar territory. Political status of Saar should be based, we think, on principle of political autonomy and local self-government. I urge that at this session we approve French proposal of econ integration of Saar territory into that of France. After this, details, including territorial limits, can be worked out.”⁸⁴

When Bidault pointed out at Nov 28 CFM meeting that Marshall and Bevin supported econ integration of Saar into France, Molotov made no comment in reply, thereby preventing quadripartite agreement.⁸⁵

It is expected French will again request US-UK approval French measures affecting econ attachment Saar to France and political arrangements separating Saar from zone. Any such US approval would be *de facto* in nature and presumably would include proviso full recognition depends final peace settlement.

According to *NY Times* article, date-lined Paris, Dec 18, French ForOff official stated “Saar must remain in indefinite state until accord with Sov Govt for its econ attachment to France obtained.”

Sent Baden Baden as 516; Rptd Berlin as 2508; Paris as 4582 (Paris please comment on authenticity *Times* story).

LOVETT

Editorial Note

On December 23, 1947, a tripartite American-British-French communiqué was issued to the press regarding the arrangements agreed upon in Berlin in September by American, British, and French representatives on the distribution of coal and coke from Western Germany. For the text of the communiqué, see *Germany 1947-1949*, page 484, or *Documents on International Affairs 1947-1948*, page 636.

⁸⁴ Regarding the Secretary of State's statement quoted here, made at the 3rd meeting of the Council of Foreign Ministers, Fourth Session, London, November 27, 1947, see telegram 6219, Delsec 1507, November 27, from London, p. 734.

⁸⁵ For the report on the 4th Meeting of the Council of Foreign Ministers, November 28, see telegram 6249, Delsec 1509, November 28, from London, p. 736.

4. Reparations Policy

740.00119 EW/2-2747 : Telegram

The Acting Political Adviser for Germany (Muccio) to the Secretary of State

SECRET

BERLIN, February 27, 1947—9 p.m.

482. Manpower and Reparations Directorates⁸⁶ have been considering communication from IARA dated October 18, 1946, relative to recruitment of labor in Germany for work abroad for purposes of re-erecting plants allocated to member countries of IARA, and in particular to request from Yugoslav Military Mission. In Labor Allocations Committee of Manpower Directorate US, UK, and French members agreed to recruitment, subject to following conditions:

(a) The prior permission of the zone commander concerned must be obtained.

(b) Recruitment must be effected through or in collaboration with the German labor authorities unless the zone commander decides otherwise.

(c) Every individual recruited must be given a copy of the contract of service before his departure.

Soviet member agreed to these conditions but objected to stating these as policy and insisted that these be applied to Yugoslavia. Requests from other countries to be answered on merit of individual case.

Matter being referred to Manpower Directorate, which has asked our guidance. Wish to point out that proposed reply avoids decision as to use German labor for reparations. It permits only recruitment. Presumably this could be done by or through German authorities under provision German authorities pay workers in marks and recipient country obtains service as reparations. If recipient country was to pay workers it would be export German service and entail payment foreign exchange. Department's views urgently needed toward use German labor for such purposes in general and by Yugoslavia in particular.

Sent to Department as 482; repeated to Brussels as 18.

MUCCIO

740.00119 EW/3-747

President Truman to the Secretary of State

WASHINGTON, March 7, 1947.

MY DEAR MR. SECRETARY: On April 27, 1945, I appointed the Honorable Edwin W. Pauley as my Personal Representative on Repara-

⁸⁶ Directorates of the Allied Control Authority for Germany. For additional documentation on the participation of the United States in the work of the Allied Control Authority, see pp. 831 ff.

tions Matters with the rank of Ambassador and as United States Representative on the Allied Commission on Reparations. At that time I directed Ambassador Pauley to report to me personally and directly on all matters within his jurisdiction.

In recent discussions between you and Ambassador Pauley, and Ambassador Pauley and me, it has been agreed that, in view of the special importance that reparations questions will probably assume at the forthcoming meeting of the Council of Foreign Ministers in Moscow, it would be desirable to centralize full authority and responsibility for these proceedings in you as Secretary of State.

Pursuant to these discussions Ambassador Pauley submitted to me on February 14, 1947, his resignation as my Personal Representative on Reparations Matters and as United States Representative on the Allied Commission on Reparations. I have with reluctance accepted Ambassador Pauley's resignation in a letter to him of this date, a copy of which is attached.⁸⁷

I trust that the experience and knowledge gained by Mr. Pauley in reparations problems will be available to you as you may require.⁸⁸

Very sincerely yours,

HARRY TRUMAN

740.00119 EW/2-2747 : Telegram

*The Acting Secretary of State to the Office of the Political Adviser
for Germany*

SECRET

WASHINGTON, March 19, 1947—7 p.m.

603. Have considered proposal stated urtel 482 Feb 27⁸⁹ relative recruitment labor in Ger for work abroad purposes re-erecting plants allocated member countries IARA as reparation.

We are opposed in principle to use of Ger labor abroad as form of reparation. Also reaffirm our pos against recruitment at present time of labor in Ger for work abroad on temporary or permanent basis as stated in Warx 88496 (Dec)⁹⁰ to OMGUS, except as authorized in connection with recruitment of replacements for POW's returning to Ger which will be discussed in later message to OMGUS.

However we are agreed in principle that recruitment of Ger technicians be permitted for purpose assisting in re-erection of plants removed as reparation. Such recruitment should be conditioned upon following requirements in addition those you listed: First, recruit-

⁸⁷ The attachment is not printed.

⁸⁸ Pauley subsequently became Special Adviser to the Secretary of State on Reparations. Regarding Pauley's duties and the arrangements under which he carried on his work in the Department of State, see the letter from Pauley to the Secretary of State, November 13, 1947, p. 713.

⁸⁹ *Ante*, p. 1104.

⁹⁰ Not printed.

ment be on voluntary basis. Second, technicians be permitted leave Ger only on temporary assignments limited to period necessary to accomplish re-erection of the plants, and that arrangements be made to ensure their return. Third, arrangements for remittances of earnings to Ger be accomplished in accordance with procedure which will be outlined in later message to OMGUS.

ACHESON

740.00119 EW/6-947

*Edwin W. Pauley, Special Adviser to the Secretary of State on Reparations, to President Truman*⁹¹

[WASHINGTON,] June 9, 1947.

MY DEAR MR. PRESIDENT: I have heard that my letter to you of April 15, 1947,⁹² discussing the proposals of Mr. Herbert Hoover with regard to the reparations program and the future of Germany,⁹³ has been regarded by some as supporting a program of "pastoralization"—de-industrializing and converting the nation into farm land. It has consequently occurred to me that some of the aspects of my letter may have lost connection with the context of my original recommendations to you on the subject of reparations. I should like, therefore, to clarify a few points, and to recall the official basis for the position taken by the United States Government in this matter. I am definitely not in favor of the so-called pastoralization of Germany.

My only insistence, in my letter of April 15, 1947, was against departing from the philosophy of the Potsdam Agreement in favor of the philosophy apparently advocated by former President Hoover, namely the philosophy of rebuilding Germany, without regard for long-range economic or political implications, ostensibly in order first, to counteract communism, and secondly, to meet the needs of Europe.

There is no reason, except the keeping of a faith inherent in all international accords, to cling to the statistical letter of the Potsdam Protocol⁹⁴ and its supporting agreements. The actual level of industry to be maintained in Germany, and the specific nature of the reparations

⁹¹ The source text was sent to the Secretary of State under cover of the following letter, also dated June 9, 1947:

"I enclose a copy of a letter I have addressed to the President. The original letter, of which this is a clarification, was written before my connection with the State Department. I wish, however, that you be informed of this communication."

⁹² Not printed.

⁹³ At the request of President Truman, former President Herbert Hoover carried out an economic mission to Germany and Austria during February 1947. For the text of former President Hoover's report on economic policies in Germany, which was sent to President Truman on March 18, 1947, see Herbert Hoover, *An American Epic: The Guns Cease Killing and the Saving of Life from Famine Begins 1939-1963*, vol. iv (Chicago, Henry Regnery Company, 1964), pp. 245-256.

⁹⁴ *Foreign Relations, The Conference of Berlin (The Potsdam Conference)*, 1945, vol. II, p. 1477.

to be taken from Germany are and should be subject to amendment, by international agreement, as experience dictates. Secretary Marshall has indicated his willingness to consider such a modification. I am, as you know, now engaged in an intensive study, at Secretary Marshall's request, of such a possible modification. The objective of our current study is to determine what changes need be made in the first place to call a halt to the drain on the American taxpayer to support the German economy, in the second place to meet the needs of Europe for food and commodities, in the third place to bolster up the sagging structure of peace, and in the fourth place to insure the inability of Germany again to wage war against us.

However, there is no tendency on my part to advocate the stripping from Germany of all her industry, or the conversion of Germany into grazing land. Germany can and must fit into the pattern of European economy and assist in the filling of the commodity needs of the continent. Yet I do not see how the fact that Germany is now hungry, and that all Europe is needy calls for the scrapping of Potsdam and the return to Germany of her pre-war domination over the European economy. The fact that Russia seems to be playing the role of devil's advocate should not necessarily lead us into blind flight in the opposite direction.

In my letter to you, I cited certain errors in Mr. Hoover's statistics. I do not claim infallibility for mine. I hope all figures can be re-examined, so that the best possible and most scientific judgment can be reached by our own Government, in preparation for its negotiations with the other Great Powers.

You may recall that the American position in the German reparations negotiations was prepared by the Informal Policy Committee on Germany (IPCOG), consisting of representatives of the State, War, Navy and Treasury Departments, the Foreign Economics Commission, and my Mission, guided by frequent conferences with you and with members of the Foreign Relations Committee of the Senate and the Foreign Affairs Committee of the House of Representatives.

One of the points agreed upon during these discussions, and embodied in my formal instructions (Memorandum No. 2, Informal Policy Committee on Germany⁹⁵), was the need for leaving in Germany the means of self-support.

This point constituted one of the basic principles which I submitted at Moscow on June 21, 1945,⁹⁶ before the first plenary session of the

⁹⁵ For the text of the Instructions to the United States Representative on the Allied Reparations Commission, document IPCOG 2/2, May 18, 1945, see *Foreign Relations*, 1945, vol. III, p. 1222.

⁹⁶ The basic principles referred to here were reported upon in telegram 2441, July 6, 1945, from Pauley in Moscow, *Foreign Relations*, The Conference of Berlin (The Potsdam Conference), 1945, vol. I, p. 527.

Allied Commission on Reparations. The principle was embodied in the Potsdam Protocol in the statement:

“Payment of reparations should leave enough resources to enable the German people to subsist without external assistance. In working out the economic balance of Germany the necessary means must be provided to pay for imports approved by the Control Council.”

This document corresponds completely to my fundamental position in the matter. All that is proposed now is that we maintain that basic position, but propose whatever adjustments are vital to achieve the four objectives cited above, the objectives of your foreign policy.

Respectfully,

EDWIN W. PAULEY

740.00119 EW/7-1047: Telegram

The Secretary of State to the United States Delegate to the Inter-Allied Reparation Agency (Dorr) at Brussels

SECRET

WASHINGTON, July 10, 1947—5 p.m.

URGENT

962. For Dorr. Following is text OMGUS message received in response Wash comments on level of industry discussions⁹⁷ (draft this message transmitted with Todd's letter June 19⁹⁸).

“Re WDSKA rad WX-81354.⁹⁹

“I find it difficult to know whether paragraphs 2 and 3 are to govern our actions or if our actions are to be governed by paragraph 6. Both objectives cannot be accomplished at the same time. It is obvious that the revised level of industry will not leave very much of importance for IARA nations in the form of completed and usable German capital equipment of the type which they desire. While it will leave substantial steel and miscellaneous plants and separate machinery, it is apparent that the IARA nations are more interested in those plants in Germany which are important to German export and to immediate European needs. If the delivery of such plants to IARA nations is the governing factor as implied in paragraph 6, request you advise

⁹⁷ Pursuant to an American-British agreement reached during the Fourth Session of the Council of Foreign Ministers in Moscow, March-April 1947, American and British occupation authorities in Germany had undertaken negotiations for a new level of industry plan for the western zones of Germany. Tentative agreement on a new plan was reached in early July. For documentation regarding the new level of industry plan, see pp. 977 ff.

⁹⁸ Not printed.

⁹⁹ In response to certain questions raised by American occupation authorities, a War Department cable was sent to General Clay [WX-81354, July 2, 1947, not printed] setting forth in paragraphs 1-3 certain considerations which were to guide him in determining the German requirements for capital equipment in order to enable Germany to contribute to European economic recovery and to become self-sustaining. Paragraph 6 of the cable, however, stated that the instructions were to be interpreted subject to the reservation that the new level of industry was to produce substantial reparation for the countries of the Inter-Allied Reparation Agency.

us as to the minimum deemed essential for IARA nations, as this would automatically fix the level of industry to be left in Germany. Our calculations have not been based on delivering any specified quantities to IARA nations. They have been on the need for a German industry which will provide a self supporting economy with a low but reasonable standard of living which will contribute to European recovery. We are fully prepared to carry out any instructions relative to meeting IARA needs but we cannot negotiate under indefinite instructions which approve a revised level of industry only in the understanding that it also produces substantial reparation deliveries of complete and usable German capital equipment to carry out previous US commitments to IARA countries. Since these commitments were made by our government we feel that we should be advised as to what in its opinion will constitute their fulfillment. It is certain that in any event IARA countries will feel that they have not received their needs.

“Reply to detailed inquiries in urad will be made soonest.”¹

Request ur comments urgently.

MARSHALL

740.00119 EW/8-647

*Report by the United States Delegate to the Inter-Allied Reparation Agency (Dorr)*²

SECRET

REPORT OF DISCUSSIONS IN BERLIN CONCERNING AVAILABILITY OF DATA
ON PROPOSED LEVEL OF INDUSTRY JULY 16-JULY 26, 1947

I. The Mission.

On June 4, 1947 the Department instructed me by telegram to make recommendations to it for the simplification of procedures for handling industrial capital equipment reparations from Germany.³ It soon became obvious that compliance with such instructions would depend on knowledge of the type and quantity of industrial capital equipment which might be available for distribution in the future, and of the practical problems which faced those authorities in Berlin charged

¹ The message quoted here was telegram CC-9790, July 6, 1947, from General Clay in Berlin to the War Department.

² The source text was transmitted as an enclosure to a letter of August 6, 1947, from Dorr to Joseph A. Todd of the Division of Occupied-Area Economic Affairs, not printed.

³ Deptel to Brussels 770, June 4, 1947. Such instruction was, as I understand it, issued as an aid to the implementation of a four-power agreement reached at the Moscow Conference of March-April 1947, that existing procedures concerning industrial capital equipment reparations should be revised to secure more rapid and efficient distribution of this type of reparation. [Footnote in the source text. For the agreed and unagreed points regarding German reparations reached during the Fourth Session of the Council of Foreign Ministers, Moscow, March 10-April 25, 1947, see Part II, Paragraph II of document CFM (47) (M) 148, April 23, 1947, pp. 461, 467.]

with the duties of deciding what equipment could be made available for reparation, of inventorying, valuing, dismantling and packing such equipment, and of allocating it between the USSR and the West. Accordingly, the Department was informed of and approved my intention to go to Berlin for consultation with appropriate OMGUS officials.

Before my departure, in the course of its consideration of a new level for German industry, the question was raised by the Department as to whether the proposed new level would provide sufficient industrial capital equipment for reparation purposes to permit the United States to fulfill its reparation commitments to IARA nations.* A reply was received from OMGUS which stated that the proposed level of industry had not been drawn up with reparation obligations in mind, that while there would be a very considerable body of industrial capital equipment available, it would not, in the judgment of OMGUS, be of the type desired by IARA, that the goals of an establishment of an adequate level of industry sufficient to permit Germany to support herself and to contribute to European recovery, and the goal of providing adequate industrial capital equipment reparation for IARA nations seemed mutually inconsistent and urging that the Department's instructions in regard to the amount of reparation to be made available should be clarified.

The Department repeated this telegram to me with instructions to comment.† I answered briefly, but indicated I could not make a full comment without further knowledge of what the new level of industry implied as to the amount and kind of plant which would remain available for reparation. As I was going to Berlin anyway in connection with the procedural question which had already been raised by the Department, I was instructed to look into this question at the same time.

On July 14, 1947 it came to my attention that, (a) although the question of whether the proposed level of industry made adequate provision for reparation commitments appeared to be an open issue still under debate between the Office of Military Government and the State Department, and (b) General Clay had asked for further instructions, (c) General Clay had nevertheless announced that he intended to make the proposed plan public on Wednesday, July 16. In view of my imminent departure for Berlin (planned for that day) I thought it advisable to telephone the Department to determine whether there was any change in the situation, and whether it was

* See WDSOA IAD WX-81354. [Footnote in source text.]

† A copy is attached as Annex A. [Footnote in source text. The Annex was a copy of telegram 962, July 10, 1947, to Brussels, *supra*.]

still desirable that I should attempt to go into the reparation implications of the proposed new level. I was instructed that it was more than ever important that I go to Berlin at once and secure as much information as possible concerning the kind and quantity of industrial capital equipment which would remain available for reparation under the projected new plan. Accordingly, I left that evening for Germany and arrived in Berlin soon after lunch on July 16. I was accompanied by my Deputy, Mr. Alexander B. Daspit, and by Mr. Edward O'Flaherty, United States Expert Adviser to the Tripartite Commission for the Restitution of Monetary Gold (since my mission also included discussions with officials of the Finance Division of the Office of Military Government concerning the amount and character of looted gold found in Germany).

II. Interview of July 16 With the Economic Director of the Office of Military Government.

As soon as possible after my arrival in Berlin I conferred with Ambassador Robert Murphy, United States Political Advisor to the Office of Military Government, and gave him a general explanation of my mission. Shortly afterward, at the suggestion of Mr. Orren McJunkins,† from whom I first sought information as to the reparation implications of the new level of industry, Mr. McJunkins and I, accompanied by Messrs. Daspit and O'Flaherty called upon Mr. Lawrence Wilkinson, Economic Director of the Office of Military Government, with whom I was already acquainted. A Mr. Spencer of the Economic Directorate was with Mr. Wilkinson and remained in the room during the interview, which occurred sometime between six and seven o'clock in the evening.

I saw that Mr. Wilkinson was very much occupied, and in view of the lateness of the hour I suggested that perhaps it would be better to defer discussion until the next day. Wilkinson, however, pressed me to explain my mission. I explained briefly my interest and expressed my desire to go over with him the proposed level of industry and to discuss what plants might be expected to become available for reparation under the projected new level. Wilkinson stated that there were many newspaper men who would like to know the same thing, but that the level of industry agreement would not be publicly released that day as had originally been planned. I replied that I realized no public release was being made and that I was not requesting the information for communication to IARA, but solely in confidence in fulfillment of my mission as United States Delegate and as a representative of the State Department. Wilkinson stated, however, that he could not make

† United States member of the RD & R Directorate of the Allied Control Authority. [Footnote in source text.]

any release whatever. Upon my pressing the point, he picked up the telephone and called General Clay. I protested that if it were a question of securing General Clay's consent, I would prefer to state the case to him myself. Wilkinson, however, put the question to General Clay in terms of asking confirmation of his own stand and without mentioning any of the points which I had stressed in favor of my request.

Since I did not speak to General Clay on the telephone myself, I can only report what Wilkinson stated was the General's attitude. This was that a clear and unambiguous order had been received from the War Department forbidding the release of the information I was asking for to anyone, but that if I could secure authority from the War Department there would be no difficulty. Wilkinson went on to emphasize that, of course, the Office of the Military Government was anxious to give me the desired data and had no desire to keep anything from me, but that so long as the War Department order stood it would be impossible to grant my request. He continued that, of course, if a cable were sent to Washington explaining the situation and authorization were received, the Office of Military Government would be only too glad to cooperate. I pressed Wilkinson to state exactly the type of authorization which it would be necessary to receive and he repeatedly stated that there was no desire whatever to hold back any information. The whole tenor of the discussion was that there was an unfortunate technical obstacle in the way of my being informed, and that as soon as this was cleared there would be no further difficulty. §

Mr. Daspit and I went almost immediately from Wilkinson's office to the code room of the Office of the U.S. Political Advisor where I despatched a cable to the Department explaining the situation and asking that the appropriate authorization be requested.⁸

III. Interview With General Clay, July 23.

I remained in Berlin after the Wilkinson interview of July 16 awaiting instructions from the Department, attending to various matters concerning the restitution of monetary gold, and conferring with British reparations personnel. At about 3:30 on the afternoon of July 23 I received word that General Clay wished to speak to me and went immediately to his office. No one else was present at our interview.

§ I have subsequently re-checked this with Messrs. McJunkins, O'Flaherty and Daspit, and they all agree with my recollection of the transaction. Following this interview, Mr. McJunkins said as we were walking down the hall of the Economics building "If I were you I would send that cable right away". [Footnote in source text.]

⁸ Telegram 1701, July 16, 1947, from Berlin, not printed.

General Clay began by saying that he had received a directive from the War Department ordering him to acquaint me with the details of the proposed level of industry plan. He said he had appealed to the War Department to reverse this order and meanwhile had no intention of complying with it. He said that in any event, rather than comply with it he would resign. He further directed that during my stay in Berlin I should address any communications to the State Department solely through War Department channels.

I expressed surprise and concern at the position taken by General Clay. I explained to him several times the circumstances of the meeting in Mr. Wilkinson's office and repeatedly stressed that I had been, as I understood it, invited to secure clearance from the War Department so that information as to the reparation implications of the new level of industry plan might be revealed to me. General Clay insisted that my use of the Office of the Political Advisor's cables had been improper, and that that was not an official channel for communication with Washington. I stated that I had understood that this was a regular State Department channel of communication and that as an employee of the State Department this was for me the proper means of communication. I did my best to conciliate General Clay and to urge on him that I not only had no idea that he would object to my being informed regarding the level of industry, but that I had understood from Wilkinson that the course I had followed would be agreeable to him.

I then urged that he consider with me the merits of whether or not I should not be informed concerning the level of industry. I pointed out that the Department had instructed me to make recommendations for the revision of reparation procedure and that obviously I could not do this intelligently without knowing something about the prospective nature and volume of reparation to be made available and having a full understanding of the procedures currently being followed and the practical considerations which might affect any change. I also stressed the fact that as United States Delegate to IARA, I would have to be in a position to explain and, if necessary, defend such decisions that might be taken concerning the level of industry if, as seemed not unlikely, questions were raised in the Assembly. Furthermore, I pointed out that he himself had raised with the Department the question of whether or not it was possible to have both a satisfactory level of industry and a level of reparations which would be satisfactory to IARA. I stressed the fact that he had himself expressed an opinion concerning what might and what might not be satisfactory to IARA, and that the Department was naturally interested in seeing

whether the reactions of the United States representative on that body were the same.

General Clay then stated with considerable emphasis and not without heat that the question of German level of industry was of exclusive concern to Germany and to the Office of Military Government, that it was fully subject to his control and could be changed tomorrow if he thought fit. He indicated that he considered it highly undesirable that anyone else should have anything whatever to do with the establishment of such level. I expressed some surprise and noted that the General had in public statements repeatedly pointed out the fact that the German problem was merely part of the European problem, and that the recovery of Germany was intimately tied up with the recovery of Europe. I also said that whether or not he considered the matter one of exclusive German concern, I was sure that he would wish to take into consideration all relevant factors in arriving at his decision. The General expressed some disagreement with this view, stating that in a case like this there were always bound to be differences of opinion, and that the main point was to arrive at a prompt decision. He went on to say that he had no interest whatever in my problems or in whether I was able to accomplish my mission well or badly. I replied that I could not accept his statement as a serious expression of his attitude, and that I was sure that on more mature consideration he would wish to take a different position. I pointed out that there were constantly recurring situations in which the handling of affairs at IARA might be either a help or a hindrance to the Office of Military Government, stressing particularly the argument over German rolling stock in IARA countries, and the desirability from the Zone Commander's standpoint of the prompt handling of reparation items allocated to IARA.

General Clay stated several times that the projected level of industry plan had no implications whatever in regard to reparation. I inquired why, if that were so, was it necessary to promulgate a plan since the objective of the original level of industry plan of limiting German industry for security purposes had apparently been largely abandoned under the new directive for the governing of Germany. General Clay replied that the new plan was solely for the purpose of reassuring German interests and demonstrating to them that the threat of plant removal was no longer one which they needed to fear. I expressed my understanding that one purpose of establishing a new level of industry was to establish the amount of reparation and to carry out the understandings for resumption of reparation removals which had been arrived at between Secretary Marshall and Mr. Bevin at Moscow. General Clay denied that there had been any such understanding or

that there was any assurance whatever that reparation removals would be resumed. He stated that the Cabinet had voted against the resumption of reparation removals, and that the Secretary of State's vote had been the lone dissent from this proposition. He repeatedly questioned the economic value to the recipient nations of such removals despite my calling to his attention the eagerness of most IARA countries to receive capital equipment and the keen competition which has prevailed in IARA.

General Clay stated further that he was bound by an agreement with the British Zone Commander not to release any information to third parties regarding the proposed new level.

I attempted throughout to conciliate General Clay and went so far as to state that if he really felt so strongly opposed to my receiving this information, I would not on my own responsibility force the issue and would, if he desired, withdraw my request. He stated that it was too late, that he had communicated with the War Department and that there was nothing to do now but to await a reply from Washington. I expressed strong regret at this and indicated that in that event, my only course was to seek further instructions from the Department. The interview ended at about 4:30 p.m.

IV. Later Developments.

After the meeting I immediately made notes of my conversation with General Clay. The preceding section of this report is based on such notes. The following day I communicated the substance of my conversation to my Deputy, Mr. Daspit, and I also communicated the main facts to Ambassador Murphy.

On the evening of July 23 I telephoned Mr. Joseph A. Todd of the Division of German-Austrian Economic Affairs, and explained the situation to him. He instructed me to stand by for further developments. On Friday evening Mr. Todd telephoned me to say that because of the absence from Washington of Mr. Howard Petersen, Assistant Secretary of War, it would be impossible to settle the controversy before the following week. I pointed out that a new session of the IARA Assembly was scheduled for the following Monday and that I felt that I should be in Brussels at that time. It was agreed that I would report the situation by cable and return to Brussels. The following morning I despatched Berlin telegram 1758 of 26 July 1947.⁹ Before leaving Berlin I called again on General Clay and informed him of my intended departure and of the fact that I had communicated the situation to the Department. General Clay was rather affable. He stated, however, that he considered the request I had made un-

⁹ Not printed.

reasonable. He said also that he hoped that when I next returned to Berlin I would find someone in his place with whom I would be able to get along better. I assured him I would regret very much seeing anyone else in his place, and that I was sincerely sorry that he did not feel that we could get along together. We shook hands at parting and I had the feeling that short of abandoning my position completely I had accomplished as much as was possible to accomplish to avoid personal acrimony or an open break.

V. Conclusion.

I cannot avoid the conclusion that General Clay has a strong emotional bias against the entire idea of reparation from industrial capital equipment, which sometimes leads him into not altogether temperate statements and attitudes which are not always well reasoned. I am strongly of the opinion that if there is to be an effective program of industrial capital equipment removal from Germany, a broad but clear and explicit agreement for full cooperation and full exchange of information between representatives of the Office Military Government and of the U.S. Delegation to IARA and the IARA Secretariat is essential. Under present conditions adequate joint planning, though badly needed, cannot be achieved and the entire program is therefore severely hampered.

[BRUSSELS,] 30 July 1947

RUSSELL H. DORR

740.00119 EW/7-3147

Memorandum by the Assistant Secretary of State for Occupied Areas (Hilldring) to the Secretary of State

SECRET

[WASHINGTON,] July 31, 1947.

Subject: Resumption of Reparation Deliveries from the Bizonal Areas.

Discussion

This subject was discussed at the President's Cabinet meeting on June 27¹⁰ and the discussion reported in your note of that date (Tab A¹¹). General Clay has since recommended (CC 9862 of 12 July, Tab B¹¹) that there be no further deliveries until the question of German unification is definitely decided, or, as an alternative, that deliveries of equipment in excess of the revised level of industry¹² be made to limited IARA nations (i.e. presumably excluding Czechoslovakia,

¹⁰ For Secretary of the Navy Forrestal's diary entry on the Cabinet meeting of June 27, 1947, see Walter Millis (ed.), *The Forrestal Diaries* (New York, The Viking Press, 1951), pp. 286-288.

¹¹ Tab not found attached to source text.

¹² For documentation regarding the revised level of industry plan for the United States-United Kingdom zones of occupation of Germany, see pp. 977 ff.

Yugoslavia and Albania) pending Soviet fulfillment of the provisions of the Potsdam Protocol. It is considered certain that the IARA Assembly would refuse to agree to such exclusion.

French concern about the new Level of Industry Agreement can probably be met in large part if they are convinced that the purpose of the new level is to permit immediate resumption of reparation removals and not to utilize all the retained capacity in the near future. France and other countries would fail to understand the reason for our determining and announcing a new level of industry unless we also announced as soon after as possible that we were resuming deliveries of capital equipment in accordance with the new level.

A postponement of deliveries until German unification is accomplished would: (a) make it impossible for European countries, in drawing up coordinated recovery plans, to calculate with certainty on the receipt of German equipment (b) decrease the value of eventual deliveries because of further deterioration, German destruction and because the recipients will have made arrangements for equipment from other sources (c) increase the resentment of IARA countries (d) increase the pressure from the Russians and the IARA countries to substitute reparations from current output for capital removals.

Recommendations

It is recommended that, at an early Cabinet meeting, you recommend to the President that he permit the simultaneous resumption of reparation deliveries to both the Soviet Union and the IARA. If the President believes that we should not for the time being resume reparation deliveries to the Soviet Union, it is recommended that you urge him to permit deliveries to the IARA alone, including those members of IARA which are regarded as under the domination of the Soviet Union, i.e., Albania, Czechoslovakia, and Yugoslavia. This second recommendation conforms to General Clay's alternative position, except as to the three countries mentioned.

740.00119 EW/7-3147

Memorandum by the Assistant Secretary of State for Occupied Areas (Hilddring) to the Secretary of State

SECRET

[WASHINGTON,] July 31, 1947.

Subject: Review of U.S. Position on Reparations from Germany and Japan

Germany:

Discussion: The basic purposes of U.S. reparations policy remain those of disarmament, European reconstruction and a German econ-

omy limited to peaceful needs and to the living standards of the rest of Europe. Our policy is, however, circumscribed by the need to reduce our German costs, the probable necessity to assume some of the British expenditures, the greatly increased population of the Western Zones, and the unlikelihood of economic unification of Germany.

The level of industry Agreement is designed for two purposes; to determine finally the amount of equipment to be removed and to provide not a production program to be implemented but merely an amount of capacity which the bizonal area should contain if it is ultimately to become self-supporting and contribute to European recovery. The rate at which retained capacity is activated is, for the next few years, of far greater importance than the actual level of capacity retained. We therefore contemplate not a priority for German production but a coordinated reactivation of idle capacity in Europe in partial implementation of the proposals made in your Harvard speech.

Such coordination requires the assurance that reparations deliveries in accordance with the new level will be resumed and completed as rapidly as possible. The decision to resume should be sought at an early Cabinet meeting. A separate memorandum is being sent you urging this approach.

Recommendations:

1. That however firmly the Clay-Robertson plan²³ may be initially pressed, the countries consulted should not be given the impression that it is unalterably fixed, except, (a) that no revisions which would significantly hinder the early achievement of German self-support could be considered and (b) that the U.S. and U.K. must make the final decision, both on general principles and on detail.

2. That we emphasize that the capacity retained is less important than the question of the rate at which it should be reactivated in the interests of European recovery.

3. That reparation deliveries be resumed as soon as possible after, and if possible simultaneously with the final agreement on a new level of industry; and that such deliveries should be made both to IARA countries and the USSR (and Poland), or at the minimum, to all IARA countries.

4. That all future public announcements concerning the level of industry should emphasize a) that its chief purpose is to determine the amount of reparation removals, b) that it in no way constitutes a pro-

²³ The reference is to the revised level of industry plan for the United States-United Kingdom zones of occupation of Germany on which Generals Clay and Robertson reached agreement in early July 1947; for documentation regarding this plan, see pp. 977 ff.

duction program or gives German recovery a higher priority, and c) that it is U.S. policy to relate both level of industry and the rate of German recovery to a general European recovery plan.

[The remainder of this memorandum was devoted to a discussion of the basic problems of Japanese reparations policy. For documentation on this matter, see volume VI, Japan: War claims: reparations, restitution, levels of industry and of production.

740.00119 EW/8-447: Telegram

*The United States Delegate to the Inter-Allied Reparation Agency
(Dorr) to the Secretary of State*¹⁴

CONFIDENTIAL

BRUSSELS, August 4, 1947—5 p.m.

1198. GA from Dorr. Regarding reparation procedures can make following preliminary and tentative comment. Considerable further discussion of specific problems raised by list of availabilities under such revised level of industry plan as ultimately agreed desirable however.

1. So far as plants in US zone concerned and leaving inspection out of current consideration no procedural changes seem necessary at this time. Inventories and valuations of all but a few of plants which would be available for reparation under any conceivable industry level have had quadripartite approval. Informally assured east-west allocation and delivery of inventories to IARA could be accomplished within a month to six weeks after decision on reparation resumption.

2. About 450-500 plants have been inventoried and valued in UK zone. UK authorities thought this would cover majority of plants under industry level plan discussed by US-UK in Berlin but that considerable inventory and valuation work would remain. Informed that no list of plants to be removed under this plan had been prepared by UK and it is not clear to me that there is full coordination between those selecting and those valuing plants.

3. I feel that every effort should be made to provide IARA with data sufficient to enable it to allocate by industries. Such practice desirable not only because it would permit most effective contribution to overall problem of European reconstruction but also because it would largely eliminate such vexing problems as UN bid for equipment July sale, suballocations and attendant shipping difficulties,

¹⁴ Telegram 1147, August 14, to Brussels, for Dorr, not printed, replied to this telegram in part as follows:

"Your recommendations concerning revision reparation procedures greatly appreciated. Altho appears undesirable make any further direct approach US-UK authorities in Germany at this time, assume you will discuss your proposals in detail with your UK colleague in preparation joint approach at appropriate time." (740.00119 EW/8-447)

delays in ultimate liquidation of IARA interests in specific reparation plants. McJunkins US RDR agrees completely. Since plants likely to become available US zone already nearly all inventoried, problem becomes one of coordinating British program. Whitham British RDR agrees in principle and informally indicates willingness consider:

- (a) Furnishing summary data regarding output plant characteristics, etc., and tentative valuation for plants not yet inventoried (doubtful Russians would agree allocations this basis however);
- (b) giving priority to inventorying those plants necessary to complete those industry groups most nearly ready for handling as units. Believes nonferrous metals, steel and optical groups could be completed with fair rapidity.

4. I doubt feasibility of formulating concrete changes present procedure until specific list of plant availabilities, date of resumption of reparation removals and question of Russian participation settled. Russian participation will of course mean much less flexibility in departing from present valuation and accounting regulations.

5. Have noted with concern possibility of delay in making non-ferrous plants available even after industry level set. Fact of quadripartite agreement for total prohibition seems no reason why part of industry could not be removed at least as soon as plants from any other industry even though final level uncertain.

6. To secure earliest possible maximum contribution by reparation program to European recovery, believe IARA should be provided with overall minimum list of plants to be available by industries. (If the recently proposed industry level could be taken as an agreed minimum there is no apparent reason why such a list could not be produced immediately.) At same time assembly should request each country to submit its requirements for capital equipment in each industry in which plant is to be made available. Secretariat should prepare analysis industry by industry on basis of general demands submitted which could serve as overall guide to it in preparing allocation programs and to assembly in voting thereon.

7. Procedural questions of joint IARA-ACA interest such as substitution of summary plant descriptions and more thorough inspection for detailed inventory and valuation will be of varying importance depending on time of removals, resumption and upon Russian participation in program.

8. Those handling reparation deliveries in US-UK zones apparently do not anticipate serious difficulties in continuing dismantling despite German protests. British anticipate certain number of strikes but:

expect to handle these taking position that to confess inability to handle such problems would be tantamount to confession inability to occupy Germany.

[DORR]

Editorial Note

Telegram 3653, August 23, to London, page 1055, set forth the tentative views of the Department of State regarding a delay in the resumption of reparations deliveries. General Clay's comments were sent in telegram 72088, August 25, from London, page 1059.

740.00119 EW/9-847

*The Political Adviser for Germany (Murphy) to the
Secretary of State*

[Extract]

CONFIDENTIAL
No. 10862

BERLIN, September 8, 1947.

SIR: I have the honor to forward herewith information on the development and current status of negotiations with regard to "reciprocal deliveries," that is, deliveries by the Soviet Union of food and raw materials in exchange for 15 per cent of the capital equipment received from the Western Zones, as provided by the Potsdam Agreement.¹⁵ As the Department is well aware, no such deliveries have yet been made.

About a year ago, to some extent at least as a result of a communication from the Inter-Allied Reparations Agency, a Working Party on Reciprocal Deliveries was set up under the Economic Directorate. In June, 1947, this Working Party was transferred to the Reparations, Deliveries, and Restitutions Directorate, and henceforth this Directorate will assume responsibility for reciprocal deliveries and questions related thereto. Recently the Reparations, Deliveries, and Restitutions Directorate prepared a report on the "Value of Commodities, Place of Delivery, and the Determination of Sources of Reciprocal Deliveries,"¹⁶ for consideration by the Coordinating Committee. In the absence of agreement on the method of evaluation of commodities, the entire question was returned to the Reparations, Deliveries, and

¹⁵ See *Foreign Relations, The Conference of Berlin (The Potsdam Conference)*, 1945, vol. II, p. 1506.

¹⁶ Document CORC/P (46) 403/3, August 7, 1947, not printed.

Restitutions Directorate. (See our cable 1955, 14 August 1947.)¹⁷ Since very little agreement could be reached at this level at a meeting held on August 22, 1947, a comprehensive report on the points which remain unsolved is being prepared for submission to the Coordinating Committee.¹⁸

Three principal questions await resolution by the Coordinating Committee:

(1) Who shall take delivery of commodities dispatched as reciprocal deliveries? The Soviets insist that each Zone Commander shall take delivery and sign receipts for commodities in proportion to the industrial capital equipment dispatched from that particular Zone; neither the Zone Commanders of the Western Zones nor the Zone Commander of the Soviet Zone can act as agents for IARA. The three Western nations insist that they can only accept such commodities "acting on behalf of IARA."

(2) What is to be the source of the commodities dispatched as reciprocal deliveries? The Soviets insist that they alone are to determine the source from which such commodities are delivered. The Americans and British—partially supported by the French—insist that commodities furnished as reciprocal deliveries must come from outside Germany, unless they are in excess of the requirements of an agreed minimum economy for all of Germany and are not exportable to provide funds for reimbursement of occupation costs.

(3) What is to be the price of the commodities dispatched as reciprocal deliveries? The Soviets insist that the cost of packing and transport outside the German borders should be added to the 1938 price in Reichsmarks (plus 5 per cent), and therefore, such costs should be borne by the recipient. The three Western nations insist that such costs are already included in the basic price (i.e., the 1938 price in Reichsmarks plus 5 per cent), and that they should not again be added to the price used for accounting purposes.

The main questions of principle and an outline of the development and current position of the various delegations on each are indicated in the following pages.

Respectfully yours,

ROBERT MURPHY

¹⁷ Not printed; it reported that at the 133rd Meeting of the Coordinating Committee of the Allied Control Authority, August 13, 1947, document CORC/P (46) 403/3 was referred back to the Reparations, Deliveries and Restitution Directorate for further discussion (740.00119 EW/8-1447).

¹⁸ Reciprocal deliveries were discussed at the 137th Coordinating Committee meeting, September 12, and the 70th Allied Control Council meeting, September 20. Ultimately, at the 139th meeting of the Coordinating Committee, October 2, agreement was reached on a Soviet offer to deliver certain goods, including wood, benzene, grain and synthetic rubber, as reciprocal deliveries. Decision on the questions of principle, i.e., the source of deliveries, transportation costs, etc., was deferred pending economic and political unification of Germany. For an account of the commodities made available by the Soviet Union and the amounts finally allocated to certain member governments of the Inter-Allied Reparation Agency, see *Inter Allied Reparation Agency: Report of the Secretary General for the Year 1947* (Brussels, 1948), pp. 21-22.

740.00119 EW/9-1147 : Telegram

*The Secretary of State to the Embassy in the United Kingdom*¹⁹

TOP SECRET

WASHINGTON, September 11, 1947—5 p.m.

3946. Text of State-War telegram (TopSec) to OMGUS on resumption reparation deliveries follows:

“For General Clay and Ambassador Murphy. Following is policy of State and War for resumption of reparation deliveries:

1. No actual deliveries on reparation account to be made until after next CFM meeting other than advance reparations & equipment from war plants being delivered under existing policy.

2. As it is very important not to give any basis for charges that the commitment on this subject given in connection with level of industry announcements not made in good faith, you will prior to next CFM discussions avoid any association of resumption of reparation deliveries with attainment of economic unity.

3. Publication of plant lists should be made as soon as possible. Expected delays in obtaining quadripartite agreement on allocation and valuation mentioned in Gen Clay's NR 72088²⁰ will be relied upon instead to postpone deliveries until after CFM meeting.

4. All preliminary steps will be taken in US and UK zones so that deliveries can be resumed to certain countries as soon as possible after next CFM meeting.

5. Deliveries to USSR to be suspended indefinitely if economic unity not attained at next CFM meeting. State studying question whether deliveries to Albania, Czechoslovakia and Yugoslavia should also then be suspended.”

Sent London rptd Paris 3423 and Brussels 1270.

MARSHALL

740.00119 EW/9-1547 : Telegram

The United States Delegate to the Inter-Allied Reparation Agency (Dorr) to the Secretary of State

TOP SECRET

BRUSSELS, September 15, 1947—11 a.m.

1407. OE from Dorr. ReDeptel 1270, September 11.²¹

1. In view paragraph five feel it extremely difficult make any statement whatever to IARA re US policy which might not in certain even [events?] afford later justification for charges of bad faith. Accordingly request detailed instructions concerning position to be taken by US.

¹⁹ Telegram 4120, September 24, to London, not printed, asked Ambassador Douglas urgently to assess the feasibility of obtaining British concurrence to the position outlined in this telegram. Should Douglas deem such concurrence obtainable, he was to present the position to the British as soon as possible (740.00119 EW/9-2047).

²⁰ *Ante*, p. 1059.

²¹ Same as telegram 3946 to London, *supra*.

2. Re paragraph five hope that, if Dept seriously considering stopping deliveries to any non-occupying power, opportunity will be afforded me to present personally views as to possible effects on work here. Would such suspension apply all reparation deliveries including neutral assests [*assets*], or only industrial equipment? Is there any indication British French would agree? If not, presume restriction would apply solely to relatively small number plants which might be delivered from US zones, since British French have already shown willingness make unilateral removals from their zones when quadripartite action blocked. Strongly inclined to feel if any restriction attempted position US Delegation IARA would become untenable in view clear violation Paris Act.

3. Pending advice from Dept regarding extent to which British support our attitude, have not felt it possible to discuss subject even informally with British delegate.²² British alternate delegate going Berlin today probably for consultation this matter.

[DORR]

740.00119 EW/10-347

Memorandum of Conversation, by Joseph A. Todd of the Division of Occupied-Area Economic Affairs

SECRET

[WASHINGTON,] October 3, 1947.

Participants: Mr. Hubert Penson—Minister, Advisor to the Ambassador on Germany, British Embassy.
 Mr. A. F. Geolot, Second Secretary, British Embassy
 Mr. C. Tyler Wood—A-T
 Mr. Covey T. Oliver—OE
 Mr. Joseph A. Todd—OE

Messrs. Penson and Geolot called to present the views of the United Kingdom with reference to the United States proposals²³ discussed by Ambassador Douglas with Foreign Secretary Bevin in London last week. These proposals were to the general effect that further deliveries to the Soviet Union of capital equipment as reparation would not be made pending the outcome of the forthcoming CFM meeting, and that no deliveries would be made thereafter to the Soviet Union if agreement was not reached on the question of economic unity for

²² Telegram 1288, September 15, to Brussels, for Dorr, not printed, replied in part as follows:

"For your info this position has not yet been discussed with UK. Until further informed you should endeavor avoid responding questions this subject."
 (740.00119 EW/9-847)

²³ The reference here is presumably to the statement of policy for the resumption of reparation deliveries set forth in telegram 3946, September 11, to London, p. 1123.

Germany. The Foreign Secretary was also informed that the United States was considering the possibility and desirability, under the latter circumstance, of including Albania, Czechoslovakia and Yugoslavia under the ban against further deliveries, despite the status of these countries as signatories to the Paris Reparation Agreement.

The British Embassy representatives stated that their Government viewed these United States proposals with alarm and referred to the commitment given by the Secretary of State at Moscow that reparation deliveries under a revised level of industry would be resumed to both Eastern and Western nations. They went on to point out the probable undesirable effect on the CFM discussions if the Soviet Union should be in a position to charge bad faith as a result of delaying tactics which were clearly revealed as such. While the UK is willing to consider the prohibition of further deliveries of capital equipment to the Soviet Union if the CFM fails to reach substantial agreement, she is very anxious to proceed rapidly with the announcement and implementation of the reparation program under the revised level of industry.

During the discussion it was made clear that the allocation of capital equipment between the USSR and IARA would not take place before approximately December 1, even if there were no delays of entirely usual origin, and that actual dismantling and removal in any appreciable volume could not, therefore, be expected before the end of the year.

Mr. Wood pointed out that there appeared to be general agreement between the two Governments regarding the desirability of having the record clear at the time the CFM was discussing economic unity and, because of the time table referred to above, little disagreement as to the practical results which might be expected. Before confirming officially that the US was prepared to agree allocations before or during the CFM meeting in the event this came about in the normal course of events, he wished to consult Assistant Secretary Saltzman and, possibly, Undersecretary Lovett.

In addition to the question of making allocations and resuming deliveries, the UK representatives also stated it appeared desirable to emphasize at the time the new reparation program was announced that the US would make every effort to maintain the food ration in the bizonal area and to assist the Germans in reviving their economic activity conditioned upon the acceptance by the Germans of the reparation program and their full cooperation in its implementation. Mr. Wood stated that the Department wished to take this question under consideration and informed the UK representatives that he would get in touch with them at a later date.

The possibility that the existence of official allocations might make it difficult to halt deliveries to the Soviet Union if this course proved desirable was discussed. There was general agreement that the political circumstances attendant upon failure to reach agreement on economic unity would be sufficient basis for nullifying allocations even if they have been officially confirmed.

The British Embassy representatives stated that their instructions did not refer in any way to the suggestion that deliveries to Albania, Czechoslovakia and Yugoslavia might also be halted.

740.00119 EW/10-1647

*The Chief of the Reparations Section, Economic Division, Office of United States Military Government for Germany (McJunkins) and the Chief of the Reparations, Deliveries, and Restitution Division, Control Commission for Germany (British Element) (Whitham) to the Secretary General of the Inter-Allied Reparation Agency*²⁴

BERLIN, October 14, 1947.

SIR: We have the honour to inform you that the United States and United Kingdom zone commanders have directed that the following information be communicated to you.

2. It has been the view of all four occupying powers of Germany as expressed at the Council of Foreign Ministers in Moscow that the level of industry fixed for Germany in March 1946 was too low. United States and United Kingdom Governments accepted this level on certain conditions, chief of which was that Germany would be treated as an economic unit; these conditions have not been fulfilled.

3. A revised level of industry has been planned for the United Kingdom and United States zones in Germany and jointly announced by the two zone commanders in August. In fixing this level, the requirements of countries entitled to receive reparations, the great majority of whom are represented at IARA, were fully considered. With this consideration in mind, we have endeavoured to the best of our ability to meet these requirements.

4. Since the publication of the revised level of industry plan for the UK/US zones of Germany, we have been engaged on the task of selecting the plants to be placed on the reparation list. The list is complete and is attached hereto.²⁵ This list is still subject to amendment.

²⁴ This letter was delivered to the Secretary General of the Inter-Allied Reparation Agency at Brussels on October 16, 1947. The source text was transmitted to the Department of State by the British Embassy on October 16.

²⁵ For the text of the list under reference, which was released to the press on October 16, see *Plants and Part Plants Listed for Reparations from United States and United Kingdom Zones (of Germany)*: House Committee on Foreign Affairs, 80th Cong., 1st sess. (Washington, Government Printing Office, 1948).

The adjustments if any will, however, be only of a local character and you can be assured that no major modification will be made, and that substitutions will be of an equivalent capacity and value. Such minor changes in the list will not affect the total value of plant on the reparation list and they will be notified to you as soon as possible as we are anxious that the work of allocating reparations should not be retarded through uncertainty as to the precise plant to be made available.

5. The list contains 682 plants of which 302 are war plants and 63 are plants which have been allocated as advance deliveries and are now being dismantled. Apart from those allocated as advance deliveries, the list does not include any plants which are under the prohibited industries in the 1946 plans since these industries are now being reviewed and a final statement will be made in due course. Similarly, industries temporarily permitted under the 1946 plan are subject to further consideration before we can determine what plants if any may be added to the list. We fully appreciate the desire of your member nations to have a complete and final picture.

6. There is a further point to which we would draw your attention. For reasons which you will readily appreciate, it may be necessary in the case of certain factories to delay dismantling to allow for the transfer of the workers and the work in progress to other factories which are being retained in Germany. There are a few cases where the needs of our occupational forces will delay the date upon which the plants can be made available. You will shortly be advised of the plants so affected. In making decisions in individual cases, you may rest assured that we will bear in mind the importance of making reparations available as expeditiously and as fully as possible. Indeed we do not think that the programme as a whole will be seriously affected by these considerations.

7. The United Kingdom zone commander has determined that the publication of this list of reparations inevitably brings to an end the British emergency delivery scheme. This scheme was introduced to help countries in urgent need of reparations at a time when a limited number of advance deliveries and general purpose equipment from war plants was the only form of capital equipment available as reparations. Equipment to the extent of 75 million RM (residual value) was to be made available under this scheme. It has not been possible to provide more than a proportion of the amount originally envisaged. Nevertheless, an opportunity has been given for countries to obtain some of their most urgent needs of machine tools, which, without the introduction of this special emergency scheme, would still remain unsatisfied.

8. With the publication of the accompanying list we hope that the

uncertainties which surround the question of reparations will be removed. It is our intention to value all plants on the list and proceed to allocate them according to approved procedure.

We have [etc.]

O. R. McJUNKINS
G. S. WHITHAM

740.00119 EW/11-147: Telegram

The Acting United States Delegate to the Inter-Allied Reparation Agency (Daspit) to the Secretary of State

CONFIDENTIAL

BRUSSELS, November 1, 1947—3 p.m.

1703. OE from Daspit. Assembly²⁶ October 30 rehearsed reactions to new plant list anticipation visit next Wednesday Sir Cecil Weir, bizonal economics chief.

I had privately asked Rueff to refer to limits imposed on Assembly by part II, article 2²⁷ and he did so before calling on Yugoslavia to open debate.

Yugoslavia made three points: (1) Since list²⁸ did not reach IARA via Control Council, constitutional problem created for IARA, since Paris act preamble bases reparation on Potsdam. (2) Invited other nations to join in protest at low level of reparation which contrary to Potsdam provision that German people compensate to greatest extent for aggression. (3) Current production should be instituted in lieu of 10 billion reichsmarks IARA originally expected.

I expressed regret that advice of President disregarded, asked that minutes be edited so as eliminate portions of Yugoslav statement that did not lie within proper scope IARA's concern, and moved adjournment on ground political issues raised were not proper subject Assembly debate and their discussion dangerous to harmony and effectiveness of agency.

Followed long and inconclusive discussion Article II, part two. Pointed out by some delegates that under rules, President had responsibility for calling speakers to order. Rueff stated there was dif-

²⁶ The Assembly of the Inter-Allied Reparation Agency, meeting in Brussels, September-November 1947.

²⁷ The citation here is to the Agreement on Reparation from Germany, Establishment of an Inter-Allied Reparation Agency, and Restitution of Monetary Gold, signed in Paris on December 21, 1945; for text, see Department of State Treaties and Other International Act Series No. 1655, 61 Stat. (pt. 3) 3157, or *Inter-Allied Reparation Agency: Report of the Secretary General for the Year 1947, Annex II*.

²⁸ The reference here is to the list of plants in Germany subject to reparation transmitted to the IARA in the letter of October 14 from McJunkins and Whitham, *supra*.

ference in shading between French and English texts part II, Article 2 and that in his opinion French text justified expression disappointment with plants actually declared available. Stated however that current production dangerous question and he had several times considered ruling speaker out of order this point.

When became obvious Assembly would defeat adjournment motion, withdrew it, expressing confidence that President would exercise wisdom in holding further debate within proper limits. Debate which followed very moderate in tone.

Czechoslovakia advocated more detailed advance information so that IARA countries could make plans on overall basis, expressed disappointment no plants producing raw materials for ammunitions or armament plants available. French seconded latter point specifically desired plant for manufacturing submarine diesel cylinders.

Dutch made strong statement that revival German peaceful industry would contribute more to recovery IARA countries than few machines IARA could expect as reparation.

British recalled Potsdam first-charge principle on current production. French urged speed-up allocation, at present rate would take 18 months allocation new list, in addition to dismantling lag. Suggested cross index new numbers with ACA numbers for purpose identification.

Albanian said by-pass of Control Council rendered void part one Articles 2 and 3, opening up possibility new claims by member governments against Germany and against equipment allocated by IARA in future.

I pointed out that IARA crossing bridges in advance, since statement of McJunkins and Whitham forwarding list clearly showed the list did not constitute allocation to IARA, but an advance list sent for information, and that IARA had no cause to assume normal procedure would not be followed in formal declaration of availability. Further discussion suspended until after meeting with Weir. Yugoslavs and Albanians indicated introduction of strong protest resolution being considered.

Assembly extensively debated Rueff suggestion for press release repeating statements Clay, Robinson, Wilkinson, Bevin to counteract impression that new list would destroy German industry.

Albania strongly opposed on grounds such statement implied satisfaction with new list and when number other delegates showed lack enthusiasm, idea abandoned.

Sent Department 1703, repeated Berlin 139.

[DASPTT]

740.00119 EW/11-147: Telegram

The Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, November 1, 1947—7 p.m.

3484. Personal for Hickerson. Brussels 1675 from Dorr to OE.²⁹ General Clay has been in communication with War Department regarding Dorr's desire to have OMGUS representative appear with British representative before IARA Assembly November 6 to discuss new bizonal plant list and reparation program.

Clay is averse to having OMGUS representative appear before IARA and "be shot at by the members from Albania, Yugoslavia, and Czechoslovakia." He believes that OMGUS is under no obligation to explain to them the several reasons entering into the preparation of the bizonal level of industry and the list of plants. He feels that if an explanation is necessary it could best be made on government level and that it is IARA's function simply to allocate equipment declared surplus by the occupying powers. If OMGUS representatives become involved in detailed explanations they might conceivably make statements which some representatives in IARA might seize on and turn propagandawise against US.

Clay intends to stand on this position unless he receives clear-cut instructions to the contrary from Washington. There would seem to be validity in his point of view but there may be a question of broader policy consideration known to the Department. If so, please indicate.

Sent Department as 3484, repeated Brussels for Dorr as 153.

MURPHY

740.00119 EW/11-147: Telegram

The Secretary of State to the Acting United States Delegate to the Inter-Allied Reparation Agency (Daspit) at Brussels

CONFIDENTIAL

WASHINGTON, November 4, 1947—7 p.m.

URGENT

1583. For Daspit. Dept fully approves your position during Assembly session reported urtel 1703 Nov 1.³⁰ You shld accordingly inform Rueff and at the same time reiterate your statement that President responsible for ruling speakers out of order if statements not within proper scope for Assembly discussion. You might also suggest in connection with any possible rulings this nature that Rueff cld make statement that protest against actions by Occupying Powers most appro-

²⁹ Not printed.³⁰ *Ante*, p. 1128.

privately and effectively presented thru direct diplomatic channels and that failure agree debate at IARA no indication whatever that such protest considered inappropriate.

You shld specifically state that US Del will not transmit officially to your govt any resolution or other formal communication which is regarded as outside proper scope IARA Assembly or Secretariat. In the event discussion renewed in Assembly and improper protest resolution appears likely of adoption, you are authorized at your discretion to make statement before Assembly along these lines.

Your statement that McJunkins-Whitham communication³¹ informative only entirely confirmed USPolAd's 3473, rptd Brussels as 151, Oct 31.³² Continue keep Dept and USPolAd fully advised all developments.

Rptd USPolAd, Berlin as 2222.

MARSHALL

740.00119 EW/11-147: Telegram

*The Secretary of State to the Political Adviser for Germany
(Murphy)*

SECRET

WASHINGTON, November 4, 1947—8 p.m.

URGENT

2228. Dept not informed exact purpose stated by IARA Secretariat (reurtel 3484 Nov 1³³) in extending invitation OMGUS reps appear with Brit reps before IARA Assembly, but agrees entirely with Gen Clay's view that OMGUS reps shld not become involved in controversy at IARA as to justification of bizonal level of industry and list of plants thereunder. Understood here that purpose of visit was to discuss mechanics, procedures and general info re plants to become available only, but appreciated would be difficult keep discussion within these limits.

Dept's chief concern is that no basis be given for feeling among IARA countries that US unsympathetic re facilitating delivery capital equipment with UK being regarded as sole supporter IARA interest this connection. Dept is informed that neither Dorr nor Daspit had anything whatever to do with issuance invitation by Sec Gen, or in fact even knew in advance that invitation being issued. Daspit requested confirm this for ur and Dept's info.

Matter is not regarded as serious by Dept, altho regretted invitation was twice accepted and cancelled without any explanation,

³¹ Dated October 14, 1947, p. 1126.

³² Not printed.

³³ Ante, p. 1130.

thus placing US Del at IARA under some embarrassment inasmuch as every effort has been made in the past by US Del be in position fully explain and support all action taken by OMGUS. This considered very desirable by Dept, and suggested you may wish convey contents this msg to Gen Clay as illustrative importance keeping US Del as fully informed as circumstances permit at all times on matters pertaining to implementation of reparation removal program.

Rptd Brussels for Daspit as 1585.

Department has agreed message to Clay from Army concurring his position.

MARSHALL

Editorial Note

On November 13, 1947, Edwin Pauley transmitted to the Secretary of State a paper setting forth a proposed reparations plan in anticipation of the forthcoming session of the Council of Foreign Ministers in London. For the paper and the accompanying letter from Pauley to the Secretary of State, see pages 713-719.

740.00119 EW/11-1547: Telegram

The Acting Secretary of State to the Acting United States Delegate to the Inter-Allied Reparation Agency (Daspit) at Brussels

CONFIDENTIAL

WASHINGTON, November 18, 1947—3 p.m.

URGENT NIACT

1655. For Daspit. Dept agrees view urtel 1792, Nov 15,³⁴ that no strenuous effort appropriate kill IARA protest resolution. However, instruction to president to "take such steps as he may deem appropriate . . . with a view to the increase of the total amt of reparations in conformity with the agreements reached at Yalta and Potsdam" considered highly objectionable following grounds (in addition general considerations outlined urtel 1703 Nov 1 and Deptel 1583, Nov 4): (a) implies IARA right to interpret Yalta and Potsdam; (b) implies Yalta co-equal with Potsdam in defining total amt reparation,

³⁴ Not printed; it reported the text of a draft resolution protesting against the inadequacy of the list of plants declared to be subject to reparation from Germany (740.00119 EW/11-847). The list of plants was that referred to in the letter of October 14, 1947, from McJunkins and Whitham to the IARA, p. 1126.

On November 19, 1947, the Assembly of the Inter-Allied Reparation Agency adopted a resolution expressing its disappointment over the low amount of reparation so far declared available for distribution to Agency members; for the text of the resolution, see *Inter-Allied Reparation Agency: Report of the Secretary General for the Year 1947*, pp. 14-15.

whereas US position is that Potsdam solely governs, and Paris Agreement mentions only Potsdam; (c) grants excessive discretion to president.

You shld draw attention these views but take no action secure formal amendment as this wld tend associate US with resolution. Dept wld have no objection as to substance to resolution which simply expressed IARA disappointment, instructed Rueff inform CFM. You shld however abstain from voting on such resolution.

LOVETT

862.60/12-147

*The Acting Secretary of State to the Chairman of the House
Committee on Foreign Affairs (Eaton)*

[Extracts]

[WASHINGTON,] December 6, 1947.

MY DEAR MR. EATON: This will acknowledge receipt of your letters of November 25 and December 1, 1947,⁸⁵ transmitting copies of House Resolution 364 and House Resolution 365, and requesting the comments of the Department of State thereon.

House Resolution 364 provides in substance that the entire dismantling program in the United States Zone of Germany be suspended until the Congress has had the opportunity to study the economic effects of such dismantling upon future United States expenditures in aid of European recovery; and that an attempt be made to bring about similar action in the British Zone. The objective of the Resolution appears to be to enable the Congress to assure itself that the dismantling program will in no way increase the financial burden on the United States.

With this objective the Department of State is, of course, in complete sympathy. All directives to the United States Zone Commander have consistently emphasized the necessity for minimizing United States financial costs in Germany, and for bringing Germany as rapidly as possible to the achievement of self-support. This factor was basic to our decision to increase the industrial capacity to be retained in the bizonal area after it became clear that the conditions which were assumed for the earlier Level of Industry Agreement for all of Germany could not be fulfilled at this time.

It was necessary to ensure, in accordance with international agreements, a prompt contribution by Germany to the economic reconstruction of the victims of German aggression, and to carry out the

⁸⁵ Neither printed.

fullest demilitarization of Germany consistent with German self-support and with European reconstruction. Therefore, General Clay was instructed to prepare, in concert with his British colleague, a Revised Level of Industry Plan. This Plan was published on August 29, 1947,³⁶ and the list of plants selected for removal thereunder was published on October 16.

As stated in the text, "the over-riding requirement (in the development of the Plan) was to provide the level of industry necessary to make the area self-supporting." General Clay's instructions were to ensure the retention in Germany of sufficient industrial capacity to permit not only the achievement of a self-sustaining economy, and thereby the elimination of U.S. financial contributions, but also a substantial contribution through exports to general European recovery.

It is the considered opinion of the American and British authorities who have worked with these problems for over two years now that the Plan achieves these objectives. It is their firm belief that the plants scheduled to be removed could not, because of world shortages of food, fuel and raw materials, possibly be used in Germany within the next four to five years; and that their removal, therefore, will cause no loss of German production. General Clay has provided the following statement which expresses his position **clearly**:³⁷

"The United States has consistently refused to permit production in Germany for reparations as it is apparent such production would be supported by the United States. However, it has realized from the beginning that there was an excess industrial capacity in Germany built up during its war effort which could be removed from Germany without detriment to its normal economy. Therefore, the United States had favored reparations in the form of capital equipment, realizing that a reduction in Germany's industrial output was also a security measure.

"Our first calculation of the level of industry failed to take into consideration the effect of failure to obtain early unification, subsequent boundary changes, and underestimated increases in population. Moreover, it failed to give adequate consideration to the need for Germany's production to assist in European recovery. Realizing our mistake, we requested and obtained authority to revise the level of industry for the British and American Zones which had started to operate as an integrated economic unit. The revised level of industry gives to Western Germany what it had in 1936. It is true that this will not support the standard of living which existed in 1936. It is a pro-

³⁶ See the editorial note, p. 1066.

³⁷ The statement that follows was cabled from Berlin by General Clay in response to an inquiry from the Civil Affairs Division, Department of the Army. The statement was transmitted to the Department of State in a memorandum from the War Department dated December 3, 1947 (740.00119 Control (Germany)/12-347).

ductive output per capita approximately 75% of the per capita output in 1936, and capable of providing a reasonable standard of living taking into consideration the standard prevailing in Europe as a whole. It will permit exports from Germany sufficient to pay for essential imports, including food, and the exports made to other Western European countries will eventually assist in their recovery. However, it is doubtful if the industrial capacity left in Germany can be put fully to use in less than 5 years, and it would be indeed many years before the full capacity, including that made available for reparations, could be put to use. If, in fact, this equipment is removed by other Western Nations, it may well contribute to European recovery at an earlier date than if left in Germany.

"While the IARA organization does include some of the satellite countries, they would obtain very little of the equipment.

"Coal, transport, and manpower are not available to Western Germany to support an industry greater than now contemplated. Western Germany no longer has access to the Brown coal fields of Eastern Germany and hence must use hard coal for many purposes formerly served with Brown coal. This of course reduces its steel-making capacity. Germany's transport has been badly damaged. There is a great shortage of rolling stock and waterway stock. Germany's repair facilities were designed only to keep up with normal depreciation. They too are badly damaged and it will be many years before these repair facilities can take care of present depreciation and at the same time replace the railroads, barges, and other transport equipment lost as a result of war damage.

"Moreover, even today Germany is facing manpower shortages everywhere, although total production is less than 50% of prewar production and the population of the 2 Zones has increased by more than 6,000,000 persons. The reasons for this shortage in manpower lie first in the heavy casualties suffered by Germany during the war, the still missing prisoners of war, and the low productive output of its present manpower due to food shortages. Young and middle aged skilled manpower is in short supply. It will take many years for replacement manpower to be found and to be trained. The increase in population is composed largely of untrained women and the young and old. Moreover, even if food becomes available, it will be several years before the working population can be fully restored to its prewar productive ability.

"It is my sincere conviction that in view of these factors, we have left to Western Germany all of the industrial capacity it can use. Of course cases can be made for specific plants and we are prepared to consider recommendations from the Germans for transfers and other replacements to save specific plants when it can be shown that such plants are essential to the German economy. While the German politicians have gone on record disclaiming responsibility, there is no widespread evidence that the proposed program has created any serious disturbance or that it will create such disturbance. Obviously the Communist Party will attempt to make it an issue before the German people.

"I have frequently pointed out that fear of the effect of dismantling on the German people failed to take into consideration the effect that

discontinuance of the program would have on the Free Nations of Western Europe. We have entered into an international agreement at the Paris Conference in which we promised deliveries of capital equipment. While no quantities were specified, it was certainly intended that the deliveries would be substantial. It seems to us that we have reduced the deliveries to a minimum to satisfy our commitments to these countries and to meet real needs. A failure to deliver substantial quantities of capital equipment would certainly be regarded as a breach of our commitment. In the case of France, I have pointed out its concern as a matter of security over the present agreed level for the British and American Zones. The French believe too that shortages of coal will make it difficult to establish this level in Germany without holding back industrial development in Western Europe. Therefore, in establishing the present level of industry, we have already challenged French friendship and any further increase in this level would be certain to arouse great additional French resentment.

"Moreover, this presently agreed level of industry is not a unilateral US matter but a joint matter covering the British and American Zones with, in fact, the greater amount of the capital equipment coming from the British Zone.

"In the general interests of Western Europe we believe we have reached a solution which, while perhaps satisfactory to no one, is less unsatisfactory to everyone than any other solution which could be developed. Finally, this decision settles the reparations program, fixes the plants to be left in Germany so that their owners may put them at work, and definitely tells the nations belonging to IARA what they may expect from Germany. This final solution is essential and further delays and studies could only add uncertainty and doubt to a program which needs resolving now.

"In addition it might well be pointed out that the repairs of Germany's war damage will for years require a substantial percentage of German manpower and this alone would prevent sufficient manpower being available to operate present industrial capacity in Germany if all of this industrial capacity were left in Germany and fully restored for production."

Quite recently the Department of State had occasion to make a general statement of its position on the relationship of the dismantling program to the proposed European Recovery Program. This statement seems relevant to the present inquiry and is set out below in its entirety.

[Here follows the text of the statement by Acting Secretary of State Lovett on the objectives of the reparations removals program in Germany, released to the press on November 26, 1947. For the text of the statement, see Department of State *Bulletin*, December 7, 1947, pages 1088.]

The right of the member countries of the IARA to receive reparation from Germany is incontestable. A delay of two years has already occurred in the large-scale implementation of the reparation program on which they counted when signing the Paris Agreement. Still fur-

ther delay would tend to be considered by them as evidence of lack of United States interest in reparation and security, and as lending substance to the Soviet charge that the United States favors German over European recovery.

The Department of State would, of course, agree that these considerations, strong as they are, could not take precedence over important United States interests. It is the firm view of the Department, however, that the Revised Level of Industry Plan affords ample protection to the financial interests of the United States, and that all other United States interests in this matter favor the prompt completion of the dismantling program. The Department of State would not, therefore, favor passage of House Resolution 364.

House Resolution 365 constitutes a rather detailed request for information. The Department of State is prepared at all times, of course, to furnish to the best of its ability any information requested, in whatever form, by the Congress, its Committees, or its individual Members. A memorandum³⁸ is enclosed which furnishes the additional information not believed to have been provided by Mr. Lawrence Wilkinson's testimony before your Committee on December 3. If this information is considered sufficient for your immediate purpose, it would appear unnecessary to have the Congress pass this Resolution.³⁹

The information furnished herewith was gathered with the complete cooperation of the Department of the Army, which concurs fully in the views expressed.

Because of the urgency of the matter this letter has not been cleared with the Bureau of the Budget, to which a copy is being sent.

Sincerely yours,

ROBERT A. LOVETT

740.00119 EW/12-2747

*The British Embassy to the Department of State*⁴⁰

AIDE-MÉMOIRE

Reference is made to the recent conversation of the United States Secretary of State with the British Foreign Secretary on December

³⁸ Not printed.

³⁹ House Resolution 365 of the Eightieth Congress was adopted by the House of Representatives on December 18, 1947. The Resolution requested the Secretaries of State and Defense to transmit information to the House of Representatives on eleven questions regarding the removal of industrial plants from Germany. For the text of the questions contained in House Resolution 365 and the answers provided thereupon, see Department of State *Bulletin*, February 8, 1948, pp. 185-191.

⁴⁰ Delivered on December 29, 1947; see the memorandum of conversation by Acting Secretary Lovett, *infra*.

17th regarding the question of reparations deliveries to the Soviet Union.⁴¹ In this conversation, Mr. Bevin recalled the conversation which had taken place between them at Moscow when, as Mr. Bevin understood, it had been agreed that both Governments should proceed with deliveries from the Western Zones to the Soviet Union and Poland, as well as to the other Allies. At the recent Council of Foreign Ministers meeting in London, Mr. Bevin had said that His Majesty's Government intended to carry out the Potsdam decisions on reparations.^{41a} This implied that His Majesty's Government, for their part, considered reparations deliveries from West to East should continue to be made. After the Council of Foreign Ministers had ended, the British Cabinet had further considered the matter and had confirmed the view that it would be a great mistake to stop deliveries to the Soviet Union. Mr. Bevin stated that he thought it would be playing into the hands of the Soviet Union if we stopped delivering reparations from capital equipment to them. He also made it clear that he had never been happy when action had been taken in the Control Council which had prevented allocations being made over a long period.

It was clearly stated by Mr. Bevin that His Majesty's Government considered themselves committed to deliver what they had covenanted to deliver to the Soviet Union—that and no more. On the other hand he was anxious to avoid any conflict with the United States Government over this question. There were bigger things going on in Western Europe which should surely take precedence over this question of surplus equipment.

It had been understood that, on his return to Washington, Mr. Marshall would consider the whole question in the light of His Majesty's Government's views, and that Mr. Bevin would then be informed of the considered opinion of the United States Government. It is not clear, however, particularly from Senator Vandenberg's remarks⁴² in the recent debate in the United States Senate, whether the United States Government may not have already decided that all deliveries to the Soviet Union from the United States Zone should cease.

Whilst Mr. Bevin entirely appreciates the strength of feeling on the subject in the Congress and understands the necessity of the United

⁴¹ For the record of Secretary Marshall's conversation with Foreign Secretary Bevin on December 17, see p. 815.

^{41a} For the statement on reparations by Foreign Secretary Bevin, intended for delivery to the Fifth Session of the Council of Foreign Ministers, London, November 25–December 15, 1947, but not made and subsequently published in the press, see *Documents on International Affairs, 1947–1948*, pp. 522–527.

⁴² Reference is to a statement by Senator Vandenberg to the Senate on December 19 on the question of reparations; regarding the Senator's statement, see the memorandum of conversation by Lovett, *infra*.

States Government's paying full attention to this feeling, he cannot help wondering whether the full implications of a policy of terminating reparations deliveries to the Soviet Union have been realised and the complications which such a policy would be likely to cause in our relations not only with the Soviet Union but with the I.A.R.A. powers.

In addition to the general arguments used by Mr. Bevin against taking a step which the Soviet Union will almost inevitably regard as marking the final breach between West and East Germany and the undesirability of departing from the Potsdam decisions, Mr. Bevin has instructed me to mention the following further points which, in his view, should be taken carefully into consideration:

(i) Of the 25 per cent share in reparations allocated to the Soviet Union, 15 per cent is in return for reciprocal deliveries from the Soviet Union. These are now being made. On receipt, these reciprocal deliveries are turned over to the I.A.R.A. powers, including the United States, the United Kingdom, and France. If all deliveries to the Soviet Union are to be stopped it is certain that the Soviet Union will stop making these reciprocal deliveries. This will inevitably cause the United States and the United Kingdom great difficulties with the I.A.R.A. powers, who will thus be deprived of part of their share of reparations. The I.A.R.A. powers, whose friendly cooperation is very necessary for the success of the European Recovery Plan, are already disappointed at the smallness of the reparations programme as a whole, and they will greatly resent any unilateral action by the United States and the United Kingdom calculated still further to reduce the reparations accruing to them. This is especially so as some of them will have been counting on these reciprocal deliveries from the Soviet Union of scarce commodities, such as timber and wheat as a means of helping their own economic recovery. Furthermore, if reciprocal deliveries are stopped, it will no longer be possible for the occupying powers to make use of their share or part of it for the benefit of the German economy.

(ii) It is most desirable to do everything possible to stimulate trade between Western Germany and the Soviet Zone. The cutting off of reparations deliveries to the Soviet Union would have just the reverse effect.

(iii) It is undesirable to take any action which might give the Soviet Union an excuse for making the Allies' position in Berlin, which they are already attacking, even more difficult; or so prejudice the chances of maintaining in existence the quadripartite machinery, one of whose main functions in future could be reparations allocations.

(iv) If none of the dismantled plants is to go to the Soviet Union, the opposition of the German Communists to the reparations plan as a whole is likely to be greatly increased and the task of the Anglo-American authorities in enforcing it made correspondingly harder, especially in the British Zone where the major problem arises.

(v) It has frequently been suggested that the United States' intention is to suspend deliveries not only to the Soviet Union (and Poland) but to Yugoslavia, Czechoslovakia, and Albania. This would constitute

a definite breach of the Paris Act on Reparations. Although the stoppage of deliveries to Russia might be justified on account of Soviet failure to observe the Potsdam decisions, this argument could not apply to these other countries and it would be difficult to justify depriving them of reparations.

(vi) It is clear in the view of His Majesty's Government that Category 1 war plants should be completely dismantled and removed physically from Germany.

(vii) It has been suggested that all the reparations procedure might be carried out up to and including the dismantling and packing stages, the material then being stored in Germany. Whilst such an arrangement would clearly be much better than suspending reparations procedure altogether and leaving the plant allocated to the Soviet Union undismantled, it would inevitably encounter many difficulties in respect of storage accommodation and provision of guards.

WASHINGTON, 27th December, 1947.

740.00119 EW/12-2947

Memorandum of Conversation, by the Acting Secretary of State

[WASHINGTON,] December 29, 1947.

Participants: The British Ambassador [Lord Inverchapel]
 Mr. Penson
 Mr. Lovett
 Mr. Wisner, A-S
 Mr. Wailes, BC

The British Ambassador called by appointment at 3:30 today and left with me the attached *Aide-Mémoire*⁴³ concerning reparations deliveries to the Soviet Union and certain members of the IARA group. After giving me an opportunity to read the *Aide-Mémoire* the Ambassador asked for an indication of our current views on the subject.

As background I pointed out that this matter had recently come very much to the fore during a debate on the floor of the Senate concerning the Department of the Army's request for a deficiency appropriation for occupation expenses in Germany and the other occupied areas. An attempt had been made to write into the Appropriation Bill a clause which would prevent the use of any of the appropriated funds for the compensation or other expenses of personnel engaged in the dismantling of non-military plants in the bizonal areas of occupation in Germany. Due to the strong stand and prestige of Senator Vandenberg, he had been able to effect the withdrawal of this crippling amendment. In order to accomplish this result it was necessary for

⁴³ *Supra.*

Senator Vandenberg to give the firmest assurances to the Senate that the entire dismantling and reparation program would be the subject of an exhaustive investigation by the Senate Foreign Relations Committee as soon as the Congress reconvenes. It had also been necessary for the Senator to say that he had been advised by State Department spokesmen that the Department is seeking adequate arrangements with the British regarding any further shipment of dismantled plants to the East, or words to that effect. Later in the same day the Department had issued a very brief statement to the press in approximately the same language.⁴⁴ It was obvious that there was a very strong sentiment in the Congress against the making of further reparations deliveries by the United States under the Potsdam Agreement inasmuch as the Soviet Union had so flagrantly violated various provisions of this agreement.

I then pointed out that it would seem from reading the attached *Aide-Mémoire* that the British Government had overlooked a major factor which considerably colored the thinking of our Congressmen on the subject. This is the fact that the United States has recently agreed to take over a substantial portion of the United Kingdom's dollar commitments in the bizonal area. This added expense to the American taxpayers led many members of Congress to feel that we could not afford to continue to make reparations deliveries of plants equipment and material which might be used to lessen U.S. dollar expenditures.

The Ambassador then pointed out that at the bottom of page 2 of the attached *Aide-Mémoire* it was indicated that reciprocal deliveries from the Soviet Union are now being made and inquired whether, in view of this fact, we were still not prepared to go along with the Potsdam decisions. I replied that we had no information of actual receipt of any such deliveries in the American Zone, but that we would send a telegram immediately to ascertain the current situation. I said that it might be somewhat easier to convince Congress that we should continue certain reparations shipments if they were on a "barter basis" and in return for countervailing deliveries by the Russians. I indicated, however, that we were still considering the whole subject of our reparations policy and that we would reach no final decision until after the return of the Secretary to Washington.

The Ambassador then raised the question of our reparations policies toward the IARA nations and I pointed out that this aspect of our reparation policy is likewise still under study but that I felt somewhat more optimistic about the possibility of continuing deliveries to

⁴⁴ The text of the Department's press statement, dated December 19, is quoted in telegram 2529, December 30, to Berlin, *infra*.

all the IARA countries, as distinguished from the Soviet Union and Poland.

Finally, the Ambassador inquired what our views would be toward Britain's proceeding with reparations deliveries without similar action on our part. I replied that frankly I felt that such action by the UK would perhaps cause the Congress to inquire why the British Government should continue to honor commitments made at Postdam and not those in connection with the American loan, et cetera. I pointed out that there was the obvious answer that in one case the British Government was in a position to render specific performance, and in the other it could not. This, however, would be hard to get across to the American public and Congress, and I felt, therefore, that there would undoubtedly be repercussions during the hearings and debate on ERP.

Lord Inverchapel said that he appreciated receiving these views which he would send on to London. At the same time he would ask his Government to furnish him with information on the extent of reciprocal deliveries from the Soviet Union.

ROBERT A. LOVETT

740.00119 EW/12-2447 : Telegram

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

SECRET

WASHINGTON, December 30, 1947—6 p.m.

2529. Following is reply to Belgrade's tel 2335, Dec 18,⁴⁵ repeated to Frankfurt as Belgrade's no. 6 (Repolad's 3784, Dec 24⁴⁶):

"Dept's position re resumption reparation deliveries to Soviet satellites not expected to be determined before end first week January. (Reembtel 2335, Dec 18) Although it has been standard practice to permit reparation teams of IARA Countries to enter Germany to supervise packing and shipment of plants ready for delivery, present uncertainties as to future treatment Soviet satellites, including uncertainty whether plants allocated prior to new level of industry but not yet delivered would be included in a possible stoppage of deliveries, make it desirable that Albanian representative not proceed to Frankfurt at this time".

Vandenberg's statement was made after consultation with officers of Dept in course of opposition to appropriation bill rider designed to prevent use of appropriated funds for MG reparation functions. Vandenberg defended continuance of deliveries to IARA countries on

⁴⁵ Not printed.

⁴⁶ Not printed; it asked for information regarding Senator Vandenberg's Senate speech of December 19 and the Department of State's press statement of the same day (740.00119 EW/12-2447).

ground that US committed by Paris Agreement on Reparation, thus by implication restricting non-delivery to USSR. Expected that whole question of future plant removals as reparation will receive detailed consideration at next session Congress and Dept's highest levels considering matter at this time. In meantime Dept's official position is that given in Dept's press statement issued after Vandenberg speech, namely "The State Department confirmed that it was seeking adequate arrangements with the British regarding any further shipment of dismantled plants to the East. The Secretary of State had a preliminary talk on this subject with Mr. Bevin before leaving London".

LOVETT

Editorial Note

During 1947 the United States continued to be involved in negotiations concerned with the restoration of monetary gold looted by Germany during World War II and with the liquidation of German assets held abroad. On October 17, 1947, the Tripartite [United States-United Kingdom-France] Commission for the Restitution of Monetary Gold announced at its seat in Brussels the preliminary distribution of gold to certain of the countries which during World War II had been despoiled of monetary gold by Germany; for the text of the announcement, see *Germany 1947-1949*, pages 428-430. On October 10, 1947, the United States, United Kingdom and Italy concluded an agreement under which approximately \$28 million of Italian monetary gold uncovered by Allied forces in northern Italy in May 1945 were to be transferred to the Italian Government; for the text of the agreement and the accompanying statement to the press, see Department of State *Bulletin*, October 19, 1947, page 770. On November 4, 1947, and December 16, 1947, respectively, the United States, the United Kingdom and France concluded protocols with Austria and Italy for the restitution of gold; for the texts of the protocols, see Department of State *Treaties and Other International Acts Series* 1683 and 1707, respectively, or *Germany 1947-1949*, pages 430-431. On August 14, 1947, the United States, the United Kingdom and France entered into an understanding with Italy on a program for the liquidation of German assets in Italy; for the text of the memorandum of understanding and the accompanying statements to the press, see Department of State *Bulletin*, August 24, 1947, pages 388-389. On December 5, 1947, the United States, Canada and the Netherlands signed at Brussels an agreement relating to the resolution of conflicting claims to German enemy assets. For the statement issued to the press concerning this latter agreement, see Department of State *Bulletin*, Decem-

ber 14, 1947, pages 1192-1193; for the text of the agreement and an article by Ely Maurer and James Simsarian summarizing its main provisions, see Department of State *Bulletin*, January 4, 1948, pages 3-13.

5. Measures to Deal With the Food Crisis in Germany; Principles of a Food Supply Program For Germany

862.5018/4-347 : Telegram

The Acting Political Adviser for Germany (Heath) to the Secretary of State

TOP SECRET

BERLIN, April 3, 1947—2 p.m.

792. 1. Current unrest in Ruhr politically significant because demonstrations represent first mass protest against food shortages which have in fact existed for many months. The authorized ration has never been met in full in all parts of British Zone and the same is true for some areas in the US Zone. Unless conditions improve it is our opinion that these strikes and demonstrations will tend to become more frequent and will spread to other parts of the British and US Zones. Although present situation appears to have developed as a spontaneous protest against conditions it could be easily exploited by organized groups in order to embarrass German authorities and Military Government as well. Field report from Military sources state Communists very active in Ruhr.

2. Present food shortages in Ruhr cities appear to be mainly due to a breakdown of the German Administrative Organization responsible for the distribution of food. Actual tonnages of imported food supplies received by British since zone merger January first have been at a higher rate than ever before and grain earmarked for Ruhr is estimated at 6,000 tons per week or about 25% above requirements. Confusion between German food officials and those responsible for transport has brought about impossible situation. There are cases reported where entire food trains cannot be accounted for. In some areas food supplies received in excess of approved allocations and in other areas they are short. British blame situation on premature handing over of responsibility to Germans and since March 24 have reestablished direct military supervision and control over movement of imported supplies.

3. Although the emergency in the Ruhr may be relieved temporarily by extraordinary measures to move food supplies to urban centers the prospect is that the overall food situation in both zones will grow worse instead of better between now and the 1947 harvest. There

has been a sharp decline in farm to market deliveries in both zones since the end of January because of weather conditions and transport difficulties. A winter kill of planted grain will require large farm retentions for reseeded. Enforcement difficulties are growing and there is increased black market operations. Although Military authorities do not believe that collection machinery is in danger of immediate breakdown they do point out that collections become more difficult when the official rations are inadequate or not honored. Another complicating factor is the unpopularity of the bizonal livestock reduction program which is so unpopular with farmers that the German authorities have made no serious effort to enforce it.

4. As result of the impending crisis in food supply Military Government in both zones is bringing great pressure on German officials to take steps which will improve collections. Minister Presidents of the various *Laender* have been told what is required of them and have been asked to state what military assistance they need to carry out their program.

5. Although not minimizing the seriousness of probable short fall in farm collections of about 190,000 tons grain equivalent, food and agriculture officials of the US Zone feel that the largest single factor in the deteriorating food supply is the anticipated short fall in imported bread grains. The present IEFC allocation is 340,000 tons below the figures stated by the bizonal panel in February as the minimum necessary to meet the 1550 calorie ration scale. OMGUS cable for attention Secretary Patterson (CC-8614, March 31, 47⁴⁷) states that on the basis of imports now in sight German officials say that a cut of 500 calories per day in the bread and cereal ration will be necessary to maintain distribution. Cable further states that in order to hold present ration at 1550 calorie allocations and deliveries for April and early May must be increased by 200,000 tons.

6. In our opinion situation is extremely grave. Even if collections from German farmers were 100% efficient there is not enough food in sight to meet the 1550 ration level between now and June 30. The US and UK Governments either must import enough food to be certain that the ration scales will be met or be prepared to face continued demonstrations and possible disturbances. Also occupying powers must expect considerable inefficiency from the German administration of the food and agriculture programs until it gains experience. The Chairman of the German Executive Committee on Food and Agriculture for the combined zones has asked for greater authority over the respective *Laender* Administrations. Col. Hester now in

⁴⁷ Not printed.

Stuttgart discussing problems with bizonal control group and German authorities. Will report further when we have more information.

Repeated to Moscow; personal for Ambassador Murphy as 235.

HEATH

862.5018, 5-847

*Memorandum by the Assistant Secretary of State for Occupied Areas
(Hilldring) to the Under Secretary of State (Acheson)*

[WASHINGTON,] May 8, 1947.

For various reasons, including apparent poor handling of collections in the zones, the food situation in Germany has now reached a most critical point. Present stocks are so low that the zone officials in at least the UK Zone are not distributing the authorized ration, although there has been no official cut.

In order to correct the situation and to insure continued distribution of the 1,550-calorie ration after July 1, it would be necessary to ship an additional 250,000 tons of grain from the U.S. in the months of May and June. I am told by the supply authorities that it is impractical to expect an increase of this size to the zones. Officials of the War Department and members of the Bizonal Supplies Committee have requested the Department of Agriculture to allocate an additional 130,000 tons of wheat to be shipped in May and as early as possible in June. They are specifically requesting wheat, since it is agreed by the procurement and supply officials that only through the procurement of additional wheat in the Northwestern territory of the U.S. can additional shipments be made from the U.S. during May and June.

I want to re-emphasize the urgency of maintaining the ration of the two zones of Germany at this time. This Government must take whatever action is necessary to insure the successful operation of the US-UK Zones of Germany under the Fusion Agreement. I, therefore, recommend that you support Secretary Patterson's plea for a minimum of 130,000 tons of additional procurement U.S. wheat for the zones, which will be discussed at the Cabinet Food Meeting⁴⁸ tomorrow at 4:00 p.m.

J. H. HILLDRING

⁴⁸ Presumably a reference to the meeting of the Secretaries of State, War, Commerce, and Agriculture, May 12; see Secretary of War Patterson's letter to Secretary of Agriculture Anderson, May 12, 1947, *infra*.

862.5018/5-1247

*The Secretary of War (Patterson) to the Secretary of Agriculture (Anderson)*⁴⁹

WASHINGTON, May 12, 1947.

DEAR MR. SECRETARY: At our meeting this afternoon, at which the Secretary of State and Secretary of Commerce were also present, I outlined the dire conditions prevalent in the United States and the United Kingdom zones in Germany. I pointed out the urgent need for 150,000 tons of additional wheat, over and above the amounts already scheduled for May and June. I request that you purchase the 150,000 tons for the account of the War Department as soon as possible, by direct purchases or otherwise. It will be satisfactory if not to exceed 35,000 tons of durum wheat are included as part of the 150,000 tons.

I also request that arrangements be made to ship the wheat so that it may leave our ports by June 15, or by June 30 at the very latest.

This transaction will not dispense with our needs for July and August, which are also of great importance.

The sooner this matter can be handled, the sooner we will be in a position to relieve the worst features of the present extreme shortage of food in the United States and United Kingdom zones.

Sincerely yours,

ROBERT P. PATTERSON

Statement Issued to the Press by the Secretary of War (Patterson)

[WASHINGTON, May 14, 1947.]

Western Germany's most recent food crisis has been a source of deep concern for weeks to General Clay (United States Commander in Germany), to the staff here, and to me as Secretary of War. Every measure within our power has been taken to meet it. Since last December, food shipments to Germany from the United States have been greater than ever before. Substantially all of such food imports required have had to come from the United States as the only available source, but they have been paid for jointly by the British and ourselves.

⁴⁹ The source text was sent to the Secretary of State by the Secretary of War under cover of a transmittal note dated May 12, 1947, not printed.

In a letter to former President Herbert Hoover, dated May 15, 1947, not printed, Secretary of State Marshall wrote in part as follows:

"I have just received your letter of May 12 with further reference to our conversation the night of the Gridiron dinner.

"Since seeing you there has been a meeting of the Secretaries of State, War, Agriculture and Commerce, where a decision was reached to send 150,000 tons of wheat to Germany by June 30, in addition to present allocations. That, I believe, meets your suggestion for Germany." (862.50/5-1247)

The Hoover letter under reference is not printed.

In February, Mr. Hoover's authoritative survey of food needs laid down a program of required imports calculated with regard to the then estimated food supplies available in Germany.⁵⁰ The imports called for by Mr. Hoover have been met up to May 1, except for an amount equal to about one week's ration. Even this is only a delay, not a reduction, as present scheduled shipments—for which cargoes are available and ships have already been chartered—are sufficient to make up this short-fall in this month and in June, as well as the current deliveries recommended by Mr. Hoover's report for such months.

However, subsequent to Mr. Hoover's departure from Germany, it became evident, with the breaking up of the winter, that large amounts of food had been destroyed or would be required for reseedling, because of winter destruction of crops which had been sown in the fall. These factors reduced available local supplies by almost 200,000 tons. A very substantial part of this was directly attributable to the severity of the winter, which was the worst in almost 50 years.

Our present estimates are that over 400,000 tons of food will be delivered to Germany in May—including 72,000 from countries other than the United States—at least 400,000 more in June and even more in July. Such shipments, we believe, should be sufficient to maintain the ration from now on. These have been made possible only by the most vigorous efforts by the departments of State, Agriculture, and War, working jointly as a team to meet the crisis by speeding up shipments and, to the maximum extent possible, increasing total amounts.

Also as a part of this emergency program, 74,000,000 pounds of dry non-fat milk solids (dry skimmed milk) have been procured and are now about to be shipped to Germany. This has been possible because skimmed milk is at this time in surplus supply, and has been under purchase by the Department of Agriculture. This milk supplies a much-needed protein content in the German diet which has been sadly lacking because of shortage of other foods. It also makes possible the most effective utilization in the diet of large shipments of corn, of which available supplies in this country are much larger than of wheat or flour. These steps are pursuant to the policy of the War Department, as previously illustrated by the seed potato program, to utilize as far as possible for the occupied territories foods which are in surplus

⁵⁰ During February 1947, former President Hoover carried out an economic mission to Germany and Austria at the request of President Truman. For the text of Hoover's report to President Truman on German agricultural and food requirements, submitted to the President on February 26, 1947, see Herbert Hoover, *An American Epic: The Guns Cease Killing and the Saving of Life from Famine Begins 1939-1963*, vol. iv (Chicago, Henry Regnery Company, 1964), pp. 230-243.

supply in this country, and which can be exported without creating inflationary tendencies by raising food prices.

This latest crisis due to the winter and internal conditions in Germany has come at a time when the world is short of food, when the United States is exporting each month greater amounts of relief foods than ever before in its history, and when port facilities, railroad cars and ocean shipping are all taxed to the limit to meet the needs of many countries, more than one of which are threatened with a break in delivery of their rations such as has already occurred in parts of Germany. This is the first time that I know of in history in which conquerors have made an effort on any such scale to feed their defeated enemy, and the fact that there is not actual starvation in Germany is due only to the tremendous productivity of the United States and the willingness and efforts of our government and the British to help.

862.5018/5-1547

The Secretary of State to the Secretary of Agriculture (Anderson)

[WASHINGTON,] May 15, 1947.

MY DEAR MR. SECRETARY: In spite of the very excellent job which the Department of Agriculture has accomplished in procuring grain for export during this crop year, several areas of Europe are now facing grave food shortages. In the case of France and the U.S.-U.K. Zones of Germany the shortage of bread grains is so critical that political and economic chaos may soon develop unless the shortages are immediately relieved.

In the case of Germany the shortage of grain is so acute that the officials have not been able to meet even the very low ration of 1550 calories per day, and in France the bread ration has already been lowered from 300 grams to 250 grams per day although actual starvation conditions are not immediately threatening as is the case in Germany. It is equally important to this Government, however, that the food crises be alleviated in both areas, otherwise all of our recent efforts at Moscow might be lost in the political and economic upheavals that would undoubtedly develop.

Because of this situation I recommend that immediate action be taken to procure the additional quantities of grain in this country which will be necessary for shipment between now and June 30 to relieve the crises which are now threatening these two areas.

It is my understanding that an additional 150,000 tons of corn and 150,000 tons of wheat can be transported if the grain is procured in

the areas where transportation is not over-burdened. The French officials assure us that they will be willing to accept corn in place of wheat, whereas the two zones of Germany must have wheat.

I recognize the seriousness of additional procurement in the face of the present high prices in the grain market, but the situation outlined above is so urgent that even if direct purchases are required to secure the grain, I recommend that such purchases be made immediately.

Sincerely yours,

G. C. MARSHALL

862.5018/5-2847

Memorandum by the Deputy Coordinator of Emergency Export Programs (Stillwell) to the Assistant Secretary of State for Occupied Areas (Hilldring)

WASHINGTON, May 28, 1947.

(1) We made the request through the Bizonal Supplies Committee ⁵¹ that the U.K. divert 5 cargoes of wheat or flour at high seas for immediate delivery to Germany.

(2) I also cabled Douglas on May 20 ⁵² requesting that he approach the British Foreign Office with the same proposal. I pointed out in that cable that at least part of the delayed shipments to Germany is directly attributable to British failure to pick up 3 cargoes of grain from the U.S. for delivery to Germany in May. There was also the diversion of one cargo of grain from Germany to Egypt and one from Germany to Rhodesia at the request of the British. In addition, the Bizonal Supplies Committee approved an exchange of wheat destined for Germany for flour from the U.K. In this exchange the Zone lost 6,000 tons, flour equivalent.

(3) Although everything possible has been done to increase shipping schedules, April shipments from this country were still short of the amount required. As a result, the Zone is now down to 3 and one-half weeks' supply.

(4) Since the U.K. is equally responsible for the administration of the two zones she should be willing to assume more direct responsibility in alleviating the crisis.

(5) In view of the fact that the War Department will guarantee replacement of the 5 cargoes required out of the present June schedule, we are of the firm opinion that the U.K. stocks will not be jeopardized by diversion of the 5 cargoes at this time. If she has any worry concerning keeping her mills in operation then, certainly, she should be willing to divert 5 cargoes of flour.

⁵¹ An American-British committee located in Washington.

⁵² Telegram 2182, May 20, to London, not printed (862.61311/5-2047).

(6) The situation in Germany at present is so critical that only diversion of cargoes now at high seas will help to avoid a complete breakdown in the distribution system.

(7) Although Douglas went to see Roger Makins of the British Foreign Office on May 23 and received a flat refusal on the proposed diversion, I am sending another cable⁵³ to him requesting that he see Lord Pakenham immediately, and Bevin as soon as he returns, to insist that this diversion be made.⁵⁴

JAMES A. STILLWELL

862.6362/6-1347

The Secretary of War (Patterson) to the Secretary of State

SECRET

WASHINGTON, June 13, 1947.

DEAR MR. SECRETARY: There are two problems in Army occupation in Germany which are of the most urgent importance. One has to do with preventing famine. The other has to do with the British program of socializing the coal mines in the Ruhr. We will need the guidance and assistance of the State Department if we are to avoid disaster.

Famine

We are in the most critical condition in preventing wholesale famine in the U.S.-U.K. zones.

The official ration is 1550 calories. How meagre this official ration is may be seen by the fact that the British ration is 2900 calories a day, while the average American consumes 3300 calories a day.

The official ration of 1550 calories, however, is not being made available. The average ration for the combined zones for the past six weeks has been 1200 calories, and in many places it is as low as 900 calories. This is slow famine. Stocks of food are so low that even if planned shipments from this country are fulfilled, the likelihood of getting back to the 1550 level is poor.

We have this further fact, that we and the British are committed to raise the ration to 1800 calories by October 1st. Our chance of fulfilling this commitment is very dim, unless we can supply one million more tons to the two zones in the next crop year than are being supplied in the current crop year.

⁵³ Telegram 2327, May 29, to London, not printed (862.61311/5-2347).

⁵⁴ Ambassador Douglas conferred with Foreign Secretary Bevin on June 2, 3, 4, 6, and 9 regarding the diversion of cargoes of grain to Germany. In the course of these conversations, during which Bevin emphasized the serious nature of Britain's own food shortage, agreement was reached to make the proposed diversions of grain to Germany. Documentation on this subject is included in Department of State file 862.61311.

No other European country, except Austria, is faced with conditions anything like as critical. Experienced observers, including Herbert Hoover, who have surveyed the situation in the other countries of Western Europe have reported that in none of them are there signs of serious undernourishment. Nowhere are food stocks so low or rations so slim as in Germany.

Occupation has no chance of success if these conditions continue. This state of affairs has been foreseen, and I have urged repeatedly that priority be recognized for food shipments to Germany. The basis for the priority is that the prevention of famine in the U.S.-U.K. zones of Germany is our particular responsibility, jointly with the British, together with the fact that food conditions prevalent in the two zones are the worst of anywhere in Europe.

We will not get the priority unless we have your help. As I see it, the priority will be needed in allocation of food supplies for export, in loading at the ports, and in shipping.

Socialization of Coal Mines

The greatest need in Germany, next to food, is coal. The daily production, 215,000 tons, is far below the level programmed for this time last year. The situation is discouraging because the daily rate has been declining in the last few months, instead of rising.

The British, who are in direct charge of production of coal in the Ruhr, have the purpose of carrying out a socializing of the mines. Lord Pakenham, the Foreign Office man on Germany saw Petersen a few days ago in Berlin and told him candidly that it was the firm purpose of his government to bring about a nationalization of the coal mines.

Our people in Germany have the view, and I share it, that the need is for maximum production of coal at this critical time, not for experiments in socialization. As I see it, such experiments are certain to interfere with current production. If my house is on fire, I do everything I can to put the fire out, I do not engage in arguments on the state of title to the house.

Our people in Germany have been unable to take a firm position with the British. At present we have no policy on the matter, although we have been trying for some time to induce the State Department to take a position. Unless one is taken, the matter will go by default.

I submit that strong representations should be made to the British government, to the effect that it must at least postpone its socialization program until the present emergency in production of coal has been overcome. We have every right to insist on this, since the load of carrying the two zones in Germany, particularly in the vital matter of food, is falling more and more on our shoulders.

I should like to discuss these two problems at the next meeting of the Committee of Three.⁵⁵ I am sending a copy of this letter to the Secretary of the Navy.

Sincerely yours,

ROBERT P. PATTERSON

Editorial Note

In early July 1947, Edward Campion Acheson was designated Special Representative of the President with the rank of Minister to head an American mission whose object was to negotiate with various northern European countries for the utilization of surplus foods for use in the United States and British zones of occupation of Germany. This mission, which was recommended by the Secretary of State and Secretary of War Patterson, was in furtherance of the recommendations made by former President Hoover, following his survey of economic conditions in Germany, that the exportable surplus of fish currently available in Norway, Sweden, Denmark, Belgium, the Netherlands, and Iceland, be made available to western Germany. During the summer and early autumn of 1947, the Acheson mission visited Berlin, London, Oslo, Stockholm, Copenhagen, Brussels, The Hague, and Reykjavik. Although the tangible results of the mission were not as great as hoped for at the outset, agreement was reached between the United States, the United Kingdom, and Iceland in December 1947 for the purchase of up to 70,000 tons of fish from Iceland for delivery in western Germany in 1948. Documentation on the Acheson mission is included in file 862.5018.

⁵⁵ Beginning in 1945, the Secretaries of State, War and Navy or their alternates, together with a few members of their staffs, met periodically, sometimes as often as each week, to discuss problems shared by their Departments. When meeting as a group, the three secretaries were sometimes referred to as the Committee of Three. At their meeting on June 19, 1947, the Secretaries of State, War and Navy considered Secretary Patterson's letter and agreed to refer the question of the priority of food shipments to Germany to the State-War-Navy Coordinating Committee for consideration and report as a matter of urgency. Subsequently, in a memorandum of October 27, 1947, not printed, to the Secretary of the State-War-Navy-Air Force Coordinating Committee (the successor to the State-War-Navy Coordinating Committee), Assistant Secretary of State Saltzman asked that the matter of the priority of food shipments to Germany be withdrawn from consideration by the Committee because the matter had been discussed at high levels of the State and Army Departments and a letter on the subject had been sent to Secretary of Agriculture Anderson on September 12, 1947 (see p. 1162). (862.5018/10-2747).

740.00119 Control (Germany) /7-2247

*The Secretary of Agriculture (Anderson) to President Truman*⁵⁶

[Extracts]

CONFIDENTIAL

[WASHINGTON,] July 18, 1947.

DEAR MR. PRESIDENT: Knowing as I do your intense and continuing interest in world food problems, particularly those of the occupied areas where the United States has a direct responsibility, I hope you will find items of interest in the following report of the survey I have just made in Germany with members of my staff at the request of the Secretary of War, and which, since my return, I have discussed with him.

By dividing my staff into small working parties to obtain essential data and information while in Germany and by studying earlier reports by former President Hoover, Dr. D. A. Fitzgerald,⁵⁷ Secretary-General of the International Emergency Food Council, and others, and also as a result of the excellent cooperation by General Clay and his staff, I was able to assemble a more complete informational and statistical picture than would ordinarily be possible in the rather limited time available.

Following are the impressions I received that I consider to be of primary significance to you:

The mission of the United States Forces in Germany is one of extreme importance and complexity. The necessity for making it a success is obvious.

If the purposes of our occupation of Germany are to be achieved, and Western Europe's economy restored, the rehabilitation of Germany's industry and agriculture must be accomplished. While the subject of industrial recovery will be reported separately to you by the Secretary of Commerce, nevertheless I feel you should know that a more adequate scale of feeding, coupled with assurances that such a scale can be maintained on a continuous basis, is a prerequisite to the economic rebuilding of Germany, and that the two problems cannot be considered independently of each other.

⁵⁶ Secretary Marshall transmitted the source text to Under Secretary Lovett under cover of the following memorandum dated July 18, 1947:

"Attached is a report to the President from the Secretary of Agriculture on his trip abroad. I have only had time to read the first two pages. Mr. Anderson wished to know whether the State Department thought it was inadvisable to give public release to all or any particular part of this report. He asked me to advise the President in the matter.

"Please get me the opinion of the Department as quickly as possible and if I am absent communicate it to Steelman at the White House."

⁵⁷ Excerpts from Dr. Fitzgerald's report to the Secretary of War, dated June 16, 1947, on the food situation in Germany are included in file 862.5018/6-1647.

The appalling condition of the German population nutritionally indicates that no time should be lost in establishing a more adequate feeding program. It will require, temporarily at least, increased food imports from the United States. This need not become a permanent liability if vigorous action is taken to stimulate further German food and fertilizer production, establish more effective controls over food collections and distribution, develop sources for foodstuffs in Europe and other areas outside the United States, and above all on the industrial side increase German exports until they are able to pay for food and raw material imports.

The return at the earliest possible date of German prisoners of war to Germany is imperative to relieve the manpower shortage and supply the skill and know-how necessary for both industrial and agricultural recovery.

[Here follows a portion of the Secretary of Agriculture's letter, comprising nearly six typewritten pages in the source text, which dealt with the following topics: 1) the reasons for Germany's food problem, 2) health and nutritional status of Germany, 3) production of food and fertilizers, 4) collections, rationing, consumption and utilization, 5) food import requirements and cost. Several statistical appendices also are not printed here.]

The situation in Germany requires courageous action. The longer we delay taking the steps essential to German recovery, the greater is the risk of failure in accomplishing the objectives of occupation of Germany and the greater will be the expense in the long run.

One of the first essentials in getting the German economy off dead center is more food and particularly advance assurance of the amount which this country will supply. This assurance will ease the task of the U.S. occupation authorities and will provide necessary encouragement for German workers, particularly coal miners. For these reasons, I gave General Clay assurance that this government would supply 300,000 tons of grain per month. Someone had to take a first step. I took this one.

Another essential now is to establish firm policies for the guidance of our occupation authorities in Germany and to place full responsibility upon these officials for operation within the policies outlined.

To this end I would suggest a Cabinet Committee composed of the Secretary of State, the Secretary of War, the Secretary of Commerce, and the Secretary of Agriculture to determine policies for the occupied areas.

As I pointed out previously in this report, the problems of industrial recovery and of agricultural recovery are so inextricably woven to-

gether that they cannot be considered or dealt with separately. For this reason I believe a Cabinet Committee providing a means of considering food problems in relation to industrial problems and industrial problems in relation to military or diplomatic problems would offer a distinct advantage.

Respectfully,

CLINTON P. ANDERSON

740.00119 Control (Germany)/7-2247

*Memorandum by the Secretary of State to the
Secretary of Agriculture (Anderson)* ⁵⁸

PERSONAL AND TOP SECRET

[WASHINGTON,] July 22, 1947.

DEAR ANDERSON: I gave hasty consideration to your report to the President of July 18 on Friday and then passed it on to my staff for a more careful scrutiny. Since then there have been developments in relation to the French reaction to the level of industry proposals for Germany that have produced a very delicate situation, particularly with regard to the development of the meetings of the sixteen nations in Paris.⁵⁹

Under the circumstances, I think it would be unwise to publish the report in its present form for the reason that it stresses the economic reconstruction of Germany virtually to the exclusion of any mention of our interest in the reconstruction of the liberated areas—which is the basis of the Paris conference. I fear that its publication would add fuel to the flames now raging by reason of the agreement negotiated between General Clay and General Robertson. The Communist propagandists would probably almost certainly seize upon extracts from your report to press their charge that we are concentrating on the rehabilitation of Germany to the disadvantage of the liberated nations.

Possibly, it might be arranged to publish extracts from the report, but I am of the opinion that at the present delicate moment in our dealings with the French and the continued effort of the Communists to exploit every opportunity to our disadvantage I would really prefer

⁵⁸ Filed with the source text is an undated memorandum from C. Tyler Wood to Under Secretary Lovett recommending against publication of the letter from Secretary Anderson to President Truman, *supra*. The memorandum also urged opposition to Secretary Anderson's proposal for a cabinet committee on Germany on the grounds that "Experience with the Informal Policy Committee on Germany revealed the impracticality of attempts to make foreign policy by cabinet committees."

⁵⁹ For documentation regarding the revised level of industry plan for the Western zones of occupation in Germany, see pp. 977 ff. For documentation regarding the interest of the United States in the Conference of European Economic Cooperation in Paris, July 12–September 22, 1947, see volume III.

that no publicity be given. I am sorry to say this because I was tremendously impressed by your statement at the Cabinet meeting last Friday.⁶⁰

I am sending this to you and telephoning my view to Steelman at the White House.

[GEORGE C. MARSHALL]

862.5018/7-2047

*Memorandum by the Assistant Secretary of State for Occupied Areas
(Hilldring) to the Secretary of State*

[WASHINGTON,] July 22, 1947.

Subject: Principles of Food Supply Program for Germany

The Secretary of War by a recent letter⁶¹ has proposed the bizonal area in Germany be given priority for food shipments from the United States. We cannot accord Germany an unlimited priority on food shipments. We should, however, give the bizonal area a prior claim on enough food to meet the ration scale based on 1550 calories per day for normal consumers. Such a priority would assure a food intake level which would still be considered below that in Western and Northwestern European countries. It cannot validly be considered as in conflict with our desire to see such countries maintain a feeding level higher than Germany. The establishment of a priority to maintain such a level would, as a matter of fact, be only an expressed statement of what has been and is a firm U.S. policy to assure this minimum ration for Germany. The advantage of formalizing the policy would be that the Government can make definite advance plans for shipments to maintain the 1550 ration level. This should help to avoid the re-occurrence of the numerous crises in delivery of food to Germany which we have had to meet in the past.

The granting of even this limited priority should be contingent on adequate administration and distribution of the food program in Germany. In the past, German crops have been officially underestimated, and delivery quotas based on such underestimated crops have not been met; and excessive quantities of indigenous foodstuffs have been fed to livestock. The United States cannot therefore undertake to make good shortfalls in supply resulting from deficiencies in administration and management of food resources in Germany.

To the present money has not been available to do much more than to provide emergency food deliveries to Germany, though the Army

⁶⁰ July 18.

⁶¹ The reference here is presumably to the Secretary of War's letter of June 13, 1947, to the Secretary of State, p. 1151.

has made substantial progress in stepping up production and shipment of fertilizers. It has been impossible to accomplish much in the way of providing the machinery necessary to enable the Germans to increase indigenous food production. Rather than keep Europe and Germany dependent on enormous exports of foodstuffs from the United States we should assist Europe and Germany in raising its own food output by providing the essential means of production. It is, therefore, recommended that you approve the following policies and obtain the agreement of the Secretaries of War and Navy to them :

1. Allied authorities on the bizonal area should do everything in their power to ensure that the Germans maximize the production of food in terms of calories, secure accurate estimates of food output, fix farm delivery quotas in such a way as to permit farmers to retain no more than is absolutely necessary for self-supply, enforce such delivery quotas and bring about an equitable distribution of the indigenous and imported supply.

2. The United States should make every effort (a) to maximize its exports of fertilizer, farm machinery and other supplies that would increase agricultural output in countries now heavily dependent on imports of U.S. foodstuffs, and (b) to ensure the occupied countries, such as Germany, an equitable share of such exportable supplies. Steps should be taken to obtain the funds necessary for this program, either by a request for an appropriation or by other means.

3. The United States should assure the bizonal area in Germany as a matter of priority imports of foodstuffs sufficient to supplement the indigenous supplies resulting from the application of the measures outlined in paragraph 1 to the extent necessary to provide non-self-suppliers with rations on a scale based on 1550 calories per day for the normal consumer.

J. H. HILLDRING

862.5018/7-2347

*Memorandum by the Director of the Office of European Affairs
(Matthews) to the Secretary of State*

[WASHINGTON,] July 23, 1947.

Subject: Principle of Food Supply Program for Germany

Discussion:

In an accompanying memorandum⁶² General Hilldring recommends that a priority be given for food shipments from the United States to Germany, in accordance with a proposal of the Secretary of War. I agree fully that it is of great importance to maintain the basic German ration at a level of 1550 calories per day, and to raise it if

⁶² *Supra.*

possible, but I believe, for the following reasons, that it would be unwise to establish a formal priority on behalf of the bizonal area.

a. Such a priority would give Germany a preferred status in respect to a vital commodity. This would provide good material for propaganda and charges that the United States cares more to rebuild Germany than to help the rest of Europe, and the same apprehension would probably be aroused in France that was caused last week by the proposal to raise the level of German industry.

b. The European nations are sensitive on the subject of grain, and I believe they would resent a firm guarantee of even minimum quantities for Germany especially in the absence of guarantees to them. Such a reaction on their part would surely react adversely after preparation of a concerted plan for economic reconstruction in reply to your Harvard speech.

c. To maintain a basic ration of 1550 calories would require approximately 3,500,000 tons of the 14,500,000 which are expected to be available for export from the United States during the crop year beginning July 1, 1947. A firm priority for Germany would mean that the 3,500,000 tons would not be available for disposition elsewhere in case of an emergency. There is danger in thus making our export program too rigid. For example, if the entire burden of the unexpected deficiencies in German collections this spring had fallen on countries other than Germany, there would probably have been disastrous political and economic consequences, especially in France and Italy.

For these reasons I am convinced that, while special efforts should be made to increase German production of grain and also to supply large quantities from the United States, no formal priority should be given to such shipments.

Recommendations:

a. That policies 1 and 2 in General Hilldring's memorandum be approved.

b. That the following policy, if approved by you, be substituted in place of policy 3 in General Hilldring's memorandum:

The United States should make a particular effort to provide the bizonal area with imports of foodstuffs sufficient to supplement the indigenous supplies resulting from the applications of the measures outlined above, to the extent necessary to provide non-self suppliers with rations on a scale based on 1550 calories per day for the normal consumer.

Concurrence:

This memorandum has been read by Mr. Wood of A-T, who agreed with the point that no over-riding priority should be given to food shipments for Germany, and that no guarantee should be made in this respect.

862.5018/7-747

*The Secretary of State to the Chairman of the Senate Committee on
Armed Services (Gurney)*

[WASHINGTON,] August 13, 1947.

MY DEAR SENATOR GURNEY: You requested in your letter of July 7, 1947⁶³ the views of the State Department on S. 1566, a bill "To provide for greater efficiency of the military forces of the United States in occupied countries, and for other purposes", which is pending before the Senate Committee on Armed Services. This bill proposes that exports of food supplies from the United States support "a minimum basic rationing of not less than two thousand calories daily food rationing per person in Germany and Austria" and a minimum basic rationing in other occupied areas of the amount (not in excess of 2,000 calories per person) as deemed necessary by the Secretary of War.

The Secretary General of the International Emergency Food Council has announced that world import needs for cereal grain for the crop year July 1, 1947 to June 30, 1948 exceed prospective exports by 18 million tons. Total world export availability covers less than two-thirds of stated import requirements. Cereal requirements submitted by Army authorities for the German Bi-Zone are placed at 5,300,000 tons and those of the Pacific Occupied areas (Japan, Korea and the Ryukyus) at 3,600,000 tons. The total of stated requirements for these occupied areas is therefore 8,900,000. In this statement of requirements, German consumption is placed for the normal consumer at 1800 calories rationed food from October 1 onward and that of Japan at 1246 calories rationed food and 1550 calories total intake. The United Kingdom Zone in Germany is here included, since the Bi-Zonal Agreement necessitates maintaining consumption in the two zones at the same level. For these areas the United States is to all practical purposes the sole supplier. Its export program to them in the crop year 1946-1947 totalled 4,590,000. Of this 1,377,000 went to the United States Zone in Germany, 1,696,000 to the United Kingdom Zone in Germany and 1,516,000 to the Pacific Area. These shipments constitute over 30 percent of the total United States export program for 1946-47 of 14,880,000 tons.

The Secretary of Agriculture has declared that no increase in the United States total export program for the crop year 1947-48 can be expected over that of 1946-47. The volume of last year's shipments may therefore be considered the upper limit of what can be shipped this year. The above mentioned stated requirements of the Army for 1947-48 would therefore constitute about 60 percent of the total which can be shipped by the United States. If the normal consumer ration,

⁶³ Not printed.

which represents the lowest ration scale for adult consumers in Germany, were raised to 2,000 calories as apparently required by S. 1566, the total import requirements for Germany would be at least 1,000,000 tons higher. Total requirements for areas occupied by U.S. forces would then represent 65.5 percent of our total export program as measured by last year's exports, and the proportion would be further raised if ration allowances in occupied areas other than Germany were increased in accordance with the provisions of the bill.

The ration targets set by the War Department are already so high that they will be extremely difficult to achieve. To reach these targets would necessitate a reduction in shipments to all areas other than Germany and the Pacific from the 10,300,000 tons programmed in 1946-47 to about 6,000,000 tons in 1947-48. The brunt of this reduction would fall on such countries as France, Italy, Greece, and the countries of northwestern Europe (Belgium, Netherlands, Norway, etc.) and upon India. It is probable that the attainment of the still higher goals set in S. 1566 would probably reduce the food intake in a number of Western European and Southern European countries below the German level, thus precipitating most serious political and economic repercussions.

It is generally acknowledged that the food intake in occupied areas has been insufficient for economic recovery. It has been impossible at times to meet the established ration scales which are based on 1,550 calories per day for the normal consumer in Germany and corresponding allowances in other occupied areas. The Department of State has shared with the War Department a desire to improve the food supply to occupied areas. The first step in that direction would be to insure sufficient supplies to meet the present ration scales in these countries. The possibility of raising this ration level in the light of the supply situation will also have to be kept under constant review. As long as the present tight supply situation prevails, however, it would be exceedingly unwise to stipulate arbitrary and excessive food standards for occupied areas which must be maintained at all costs, irrespective of the consequences on other countries in the economic welfare and political stability of which the United States has a very important stake.

The Department of State accordingly believes that the adoption of this bill would be extremely prejudicial to the achievement of the objectives of this country's foreign policy.

The Department has been informed by the Bureau of the Budget that there is no objection to the submission of this report.

Sincerely yours,

For the Secretary of State:
CARL MARCY
Acting Legislative Counsel

862.6131/9-1247

The Under Secretary of State (Lovett) and the Under Secretary of War (Draper) to the Secretary of Agriculture (Anderson)

WASHINGTON, September 12, 1947.

MY DEAR MR. SECRETARY: With reference to the public statement made by you while in Germany last July that shipments of cereals in total amount of 3,600,000 tons would be made from the United States to Bizonal Germany between July 1, 1947 and June 30, 1948, the State and War Departments join in supporting this position and in requesting that allocations be made by you in such minimum amount.

Our understanding is that such proposed allocations refer to total product weight, not to tonnage stated merely in wheat equivalent in view of the high extraction rate used in Bizonal Germany.

This amount of grain will be required to maintain the present inadequate 1550 calorie ration.

Recent provisional estimates of United States grain exports for the present crop year under present procurement policy have been reduced to figures below the 14,500,000 tons announced as a possibility in July.

The State and War Departments are gravely concerned over this situation. Continued crop deterioration in several European countries, as well as in the United States, has made it apparent that the shortage is now seriously threatening the success of the United States Foreign Policy.

We have a direct responsibility in Germany, but at the same time our interest in other countries, particularly those now participating in the Paris Conference, is no less real or urgent. On the basis of the growing need in these areas we are convinced that total exports of cereals from the United States must be no less than 14,500,000 tons.

Sincerely yours,

ROBERT A. LOVETT

WILLIAM H. DRAPER, JR.

862.6131/9-1247

*Memorandum by the Director of the Office of European Affairs (Hickerson) to the Under Secretary of State (Lovett)*⁶⁴

SECRET

[WASHINGTON,] September 12, 1947.

Subject: Wheat Allocations to Germany

With regard to the proposed letter⁶⁵ to be sent jointly by the War and State Departments to the Secretary of Agriculture regarding

⁶⁴ A marginal handwritten notation on the source text by Philander P. Claxton, Jr., reads as follows:

"This was shown to Mr. Lovett by me Sept 12. He did not read it but asked what it said. I said it objected to [sending?] the WD letter and explained why. He said the decision was already made."

⁶⁵ *Supra.*

wheat allocations to Germany, I would like to make the following comments.

I understand the letter to mean that the State Department supports the necessity of making an allocation to Germany for the current crop year of 3,600,000 tons of product weight from the United States, that the recommendation that this allocation be made is not conditioned upon the attainment of any specific total of shipments from the United States and that, if the War Department is able to procure corn in the Argentine, such corn would be in addition to the 3,600,000 tons.

As I understand the significance of the product weight aspect, it means that to the extent that flour is shipped, more than 3,600,000 tons of wheat would be devoted to the German requirement. I understand the War Department would prefer to have wheat but that some flour may be shipped. The absence of any link between the figure of 3,600,000 and the total United States exports appears to mean that we support this amount even though the total amount of American exports turns out to be less than what was estimated at the time when this figure has previously been discussed. This appears to give the German claim a priority over the claims of other areas. General Draper in his telegram to General Clay (CM OUT 85824⁶⁶) of September 8 states "in effect this (decision) gives reasonable priority to Germany."

It is my understanding that it has been the standard practice in grain allocations in the past to count any procurement of Argentine corn against other grain allocations if such procurement had not been anticipated at the time the allocations were made. The change in this particular instance would constitute a preferential treatment for the bizonal area as against all other claimants for grain.

Present prospects for grain from the United States to France indicate that French imports may be insufficient to maintain the present French bread ration of 200 grams a day which Ambassador Caffery considers below the "minimum required to prevent greatly increased social and political unrest." Mr. Clayton's and Ambassador Caffery's cable of September 9 states "To prevent a runaway situation this winter we recommend thorough exploration all possible means increasing availabilities bread grains in amount required for 250 gram ration." Ambassador Caffery had also cabled on September 8 "I see no possibility however of continuing it (present ration level) through the winter without the likelihood of serious social disturbances".⁶⁷

Ambassador Dunn from Rome has urged that we provide monthly shipments of 220,000 tons per month to Italy. Present allocations are about 115,000 tons. The present allocations presuppose continuation

⁶⁶ Not printed.

⁶⁷ Neither of the documents cited in this paragraph are printed. For documentation on the concern of the United States over the political, economic, and financial situation in France, see volume III.

of Italian rations at their present level. The Italian Government, however, feels that it must raise the ration during the winter.⁶⁸

I am advised that it is the considered opinion of the experts in this Department and in the Department of Agriculture that the assurance of 3,600,000 tons of wheat equivalent to the bizonal area from the United States entails a serious risk that, during the winter, the calorie level in the bizonal area will exceed that in Austria, Italy and perhaps France. This risk will be increased if product weight instead of wheat equivalent is used to measure the tonnage. It is even more greatly increased if the War Department is authorized to buy additional corn from the Argentine without having any such purchase affect wheat shipments from the United States. The political situation in France is so critical that the emergence of either a Communist-controlled government or a virtual dictatorship under de Gaulle is a distinct possibility. The tendency towards both these alternatives will be strengthened by inadequate food in France particularly if the United States is giving preference to Germany. French reactions to United States policies in Germany are already a matter for very serious concern and are being played up by the extremists of both the Right and Left. The political situation in Italy is no less precarious and an inadequate ration level coupled with preference to Germany will greatly strengthen the hands of the Communists.

On the basis of the foregoing I feel I must urge that the Department not approve the proposed letter to the Department of Agriculture and that we insist that it be so phrased as to preserve freedom of action to ensure that no undue preference is given to the bizonal area and that there remain sufficient flexibility to meet emergency situations which can be anticipated.

Editorial Note

During the American-British conversations on Ruhr coal production held in Washington, August 12–September 10, 1947, the German food problem was given intensive consideration. For a review of the food crisis and the recommendations for the maintenance of the current ration scale and the earliest possible increase in the German calorie ration, see the Report on the Anglo-American Talks on Ruhr Coal Production, Department of State *Bulletin*, September 21, 1947, pages 576–584. Regarding the discussion of the food supply problem during these talks, see also the letter of September 10 from Assistant Secre-

⁶⁸ For documentation on United States relief and economic assistance for Italy, see volume III.

tary Thorp and British Political Adviser for Germany Strang to their respective governments and the memorandum by Kenyon Bolton, September 22, 1947, pages 959 and 962. The recommendations on food supply agreed upon at the Washington talks were subsequently carried into effect by the American-British bizonal economic agencies.

C. POLICIES AND PROBLEMS IN THE UNITED STATES ZONE OF OCCUPATION IN GERMANY

Editorial Note

No documentation concerned specifically and solely with occupation policy in the United States zone in Germany is being included in this volume. The basic principles and objectives of occupation policy were set forth in a new Directive to the Commander in Chief of United States Forces of Occupation of Germany (J.C.S. 1779) which was sent to General Clay on July 11, 1947, by the Joint Chiefs of Staff after approval by the State, War, and Navy Departments. For the text of the new Directive and the statement made to the press on the occasion of its publication, see *Germany 1947-1949*, pages 33-41, Department of State *Bulletin*, July 27, 1947, pages 186-193, or *A Decade of American Foreign Policy: Basic Documents, 1941-49*, prepared at the request of the Senate Committee on Foreign Relations by the Staff of the Committee and the Department of State, Senate Document No. 123, 81st Cong., 1st sess., page 552. Documents concerned with political structure, law, administration, economic policies, and educational, informational, cultural, and religious developments in the United States zone of occupation in Germany in 1947 are included in *Germany 1947-1949* and in James K. Pollock, James H. Meisel, and Henry L. Bretton (eds.), *Germany Under Occupation: Illustrative Materials and Documents* (Ann Arbor, Michigan, George Wahr Publishing Company, 1949). An authoritative account of United States occupational policies and activities is contained in Lucius D. Clay, *Decision in Germany* (Garden City, New York, Doubleday & Company, Inc., 1950). Guy A. Lee, *Guide to Studies of the Historical Division, Office of the U.S. High Commissioner for Germany* (Office of the U.S. High Commissioner for Germany, December 1953), lists more than thirty historical monographs covering most aspects of occupation policy in the United States zone. Of particular note in connection with activities in 1947 are J.F.J. Gillen, *Deconcentration and Decartelization in West Germany 1945-1953*. John G. Kormann, *U.S. Denazification Policy in Germany 1944-1950* and J.F.J. Gillen, *State and Local Government in West Germany, 1945-1953*. The planning in 1947 for the transfer of responsibility for the occupation in Germany from the War Depart-

ment (later Department of the Army) to the Department of State is described in detail in Chapter I of Guy A. Lee, *The Establishment of the Office of the U.S. High Commissioner* in this same series. Events in Berlin are described in the official volume, *A Four Year Report: Office of Military Government U.S. Sector, Berlin: July 1, 1945-September 1, 1949* (Berlin, Public Relations, Statistical and Historical Branch, Office of Military Government, Berlin Sector, n.d.) and in the personal memoir by Frank Howley, *Berlin Command* (New York, Putnam's Sons, 1950).

VI. AUSTRIA

A. PROBLEMS OF QUADRIpartite CONTROL IN AUSTRIA; EFFORTS BY THE UNITED STATES TO ASSURE THE REESTABLISHMENT OF AUSTRIAN SOVEREIGNTY AND DEMOCRACY¹

863.48/1-3147

Memorandum by the Chairman of the State-War-Navy Coordinating Committee (Hilldring) for the Secretary of State

SECRET

WASHINGTON, 31 January 1947.

SWN-5104

Subject: Relief and Rehabilitation in Austria After UNRRA Program.

At its 52nd Meeting on 22 January 1947 the State-War-Navy Coordinating Committee after further amending approved SWNCC 324/2, as amended by SWNCC 324/3.^{1a} A copy of the revised approved paper is forwarded herewith.

In approving this paper the State-War-Navy Coordinating Committee agreed that:

a. The Joint Chiefs of Staff should dispatch the draft cable in Appendix "A" to the Commanding General, U.S. Forces, Austria.²

b. The Department of State should approach the interested Allied Governments on diplomatic level to ascertain their views with respect to concerted action with regard to the general post-UNRRA situation in Austria, the Soviet position on German assets, and related programs.

c. The Department of State should support and pursue approval of an Export-Import Bank credit for Austria. (Such credit would not be used for relief purposes.)

¹ Materials on these topics are also included in the documentation on the meetings of the Deputies for Austria in London, January 10-February 25, 1947 (Chapter I, B, *ante*, pp. 112 ff), the Fourth Session of the Council of Foreign Ministers in Moscow, March 10-April 24, 1947 (Chapter II, *ante*, pp. 139 ff), the meetings of the Austrian Treaty Commission in Vienna, May 12-October 11, 1947 (Chapter III, *ante*, pp. 577 ff), and the Fifth Session of the Council of Foreign Ministers in London, November 25-December 15, 1947 (Chapter IV, *ante*, pp. 676 ff).

^{1a} The State-War-Navy Coordinating Committee paper under reference, not printed, consisted of a report by the State-War-Navy Coordinating Subcommittee for Europe regarding the problem of relief and rehabilitation in Austria after the UNRRA program had ended together with certain ancillary papers. The recommendations set forth in the revised SWNCC paper are those repeated in this memorandum.

² The draft cable under reference was a restatement of the recommendations set forth in paragraphs *b* through *h* of this memorandum.

d. The Department of State should take the necessary steps to obtain Congressional approval of financial assistance for Austria to the extent of the American share of the estimated balance-of-payments deficit in 1947.

e. The administration of all U.S. credits and grants should be subject to the appropriate American authority in Austria.

f. The War Department should assume, until 30 June 1947, responsibility for supplying relief imports not to exceed \$15,000,000 in value financed from present Civil Affairs appropriations to be replaced from a War Department deficiency appropriation, in addition to g below, to the Commanding General, USFA, based on requirements of the U.S. Zone, Austria, for the prevention of starvation and unrest after termination of the UNRRA program in Austria or until steps are taken to enable the Austrian Government to finance its own basic relief needs from loans or otherwise, whichever may be the earlier.

g. UNRRA should make available to the War Department supplies valued at \$7,500,000 to be used for relief in Austria.

h. In view of the great importance attached to the treatment of Austria as a unit wherever feasible, the United States Government should authorize the Commanding General, USFA to take such appropriate action, including the pooling or exchanging of supplies which, in his judgment, will elicit comparable contribution from other occupying powers or will further the achievement of American policy objectives in Austria.

It is requested that the State Department take such action as may be necessary to implement the foregoing decisions.

For the State-War-Navy Coordinating Committee:

J. H. HILLDRING

863.00/2-2147

The Minister in Austria (Erhardt) to the Secretary of State

[Extracts]

SECRET

VIENNA, February 21, 1947.

No. 2635

SIR: With reference to my despatches No. 2079 of November 27, 1946, and No. 2324 of January 9, 1947,³ I have the honor to submit hereunder a further survey of conditions in Austria, as of today's date:

Relations Among the Occupying Powers

A fundamental divergence of outlook continues to be manifest, in Allied Commission activities, between the Americans and the British on the one side and the Soviets on the other. The conclusion seems inescapable that the U.S. and the U.K. desire to implement the Moscow

³ Neither printed.

Declaration⁴ and to withdraw their armed forces from Austria as quickly as possible, while the Russians are loath to relinquish their hold on this country. The French Element usually adopts a position in between these two extremes, and what the French representatives have to say in Allied Council discussions is for the most part held by the other Elements to reflect, in comparison with the relatively deeper conviction and earnestness of the other Elements, a fairly high degree of French philosophical indifference.

Words, especially the word "democratic" in its various forms, continue to be used by all the Elements, with variations of meaning, for their own national policy or propaganda purposes, along lines already familiar to the Department. The situation calls to mind a recent editorial in the *Louisville Courier Journal* in which the view was expressed that the United States must "establish slowly but steadily a credit before the world of pure, accurate, statements". The desirability of doing so is not denied but it has long appeared to the American Element in the Allied Commission in Austria that other countries, and especially Soviet Russia, could take this suggestion on the part of the *Courier Journal* to heart also.

On February 18, the Executive Committee considered the appointment by the Austrian government of Councillor Erwin Altenburger as Austrian Federal Minister without Portfolio. Disagreement on a 3 to 1 basis arose in the Committee as a result of a speech made by Dr. Altenburger on January 24. The American, British, and French members of the Committee, animated in part by the desire to interfere as little as possible in Austrian internal administrative matters, held that the speech from a democratic point of view was not objectionable. The Soviet member, on the other hand, held that it contained a threat of violence "against democratic elements in Austria" and he urged that Dr. Altenburger be dismissed. It seemed evident to the other Elements that the Soviet member was using words shrewdly, but not accurately or with any regard for their pure or true meaning.

A further example of a division in the Allied Commission among the four Elements, with three on one side and the Soviet Element on the other, was provided during the period under review by the desire of the Austrian Government, in furthering its international position, to resume the previous Austrian membership in the International Labor Office. The matter would seem, in the western way of thinking, to have no controversial aspect. No agreement, at the Quadripartite Political Division working level at which it was discussed,

⁴The reference here is to the Declaration on Austria, included as Annex 6 to the Secret Protocol of the Tripartite Conference of Foreign Ministers, Moscow, November 1, 1943, *Foreign Relations*, 1943, vol. 1, p. 761.

could, however, be reached. The American, British, and French members of the Division felt that the Austrian application for membership need not be blocked. The Soviet member felt that the application should be disapproved, and that Austria was exceeding the rights which, to the other members, seemed clearly to have been granted Austria in Article 6(a) of the Control Agreement of June 28, 1946.⁵

Similarly, no agreement could be reached in a meeting of the Quadripartite Political Division in February, on the desire of the Austrian Government to join the United Nations Educational, Scientific and Cultural Organization. The American, British, and French Elements saw no objection. The Soviet member of the Quadripartite Political Division felt that Austria was not yet a fully sovereign state; that Article 6(a) was being mis-interpreted by the other Elements; and that the Austrian Federal Chancellor should be informed that an Austrian application to join UNESCO could not be entertained. The fact of disagreement at the Political Division working level was reported up to the Executive Committee, on the now very usual 3 to 1 basis.

Article 6(a) has never been liked by the Soviet Element, and its significance apparently was not fully grasped by that Element at the time the Agreement was signed. The Article gives a considerable amount of legislative freedom to the Austrian Parliament, in a manner which seems to the American, British, and French Elements entirely appropriate. As the Department is aware, the Article provides that all Austrian legislative measures and international agreements (not including constitutional laws) become operative after enactment, unless they are unanimously disapproved by the Allied Council.

In an Allied Council meeting of February 14, the Council split on a Soviet proposal which sought to exempt the occupying powers from the operation of certain Austrian Government ordinances controlling the domestic trade in iron and other metals. The U.S. Element maintained that the proposal would have the effect of granting extra-territorial rights to the Soviet Government. Thus there was lack of agreement among the Council members in the matter, and since the ordinances were not unanimously disapproved they will automatically become effective. The Soviet member of the Council thereupon fell back on his accustomed position in such cases. He reserved the right to protect the interests of his government in the Soviet zone, which

⁵ For the text of the agreement between the United States, the United Kingdom, the Soviet Union, and France on the machinery of control in Austria, signed in Vienna on June 28, 1946, see Department of State *Bulletin*, July 28, 1946, pp. 175-178.

meant that he did not intend to allow the ordinances to become effective in his zone.

Among other subjects on which it was difficult in February for the occupying powers to reach agreement are (1) War Criminals and their treatment, and (2) the degree of demilitarization effected in Austria; the underlying principle involved in both instances being that the Soviet Element wishes to move more slowly in yielding supervisory control than do the other Elements. The Soviets would treat as war criminals virtually all Nazis and Displaced Persons in Austria who are unwilling to return to their homelands, and query the view of the other Elements that most displaced persons, and refugees, are working for the Austrian economy. The Soviets point out that a considerable number of Displaced Persons fought on the side of Germany, and emphasize the dangers incident to their continued presence in Austria. In the matter of demilitarization, the Soviet Element has sought to keep before the other Elements a full realization of the extent of Austrian participation in the war and to remind the other Elements that approximately 1.5 million Austrian soldiers and officers served in the armed forces of Hitlerite Germany. The Soviet Element likewise has pointed out, on pertinent occasions in inter-Allied discussions, that a powerful war industry and war potential was developed by the Germans in Austria during the war years, and that it is not yet possible to consider the liquidation of industrial war-potential as having been completed.

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740.00119 Control (Austria)/5-747: Telegram

The Minister in Austria (Erhardt) to the Secretary of State

CONFIDENTIAL

VIENNA, May 7, 1947—10 a.m.

URGENT

368. General Clark's public statements on eve of his departure⁶ consisted primarily of a formal address at University of Vienna when receiving honorary degree of Doctor of Political Science May 2, informal remarks at state dinner tendered by Chancellor Figl that evening, and three extemporaneous addresses in US zone at Linz, Wels and Salzburg en route to Italy. Text of formal address and quotations from others being despatched.⁷

⁶ General Clark left Austria on May 5 after participation in a number of farewell ceremonies in Vienna. Lieutenant General Keyes assumed the post of High Commissioner for Austria on General Clark's departure from Europe on May 17.

⁷ Despatch 3054, May 9, 1947, from Vienna, not printed (740.00119 Control (Austria)/5-947).

These addresses were accepted by Austrian Government and public as formal commitment of US Government to continue policy of re-establishment of free and independent Austria and in particular and also to extend relief to Austria on a scale comparable with past deliveries and with General Clark's statements during his 1946 visit to the US when he spoke for hundred and fifty million dollar program.

Between the end of Moscow Conference and departure of General Clark, the Austrian Government and people speculated deeply and sometimes darkly about what might happen to Austria now. For example, Vice Chancellor Schaerf last Wednesday spent whole hour at his request with American Liaison Officer endeavoring to satisfy himself whether US policy would continue hitherto firm line of support for Austria. As leader of Socialists Schaerf has been under considerable renewed pressure lately by Left-Wing of party to formulate more exclusively Russian oriented policy and to consider Socialist Communist coalition. He hinted Russians themselves had also made such suggestions. He expressed his own opposition to this line but remembered aloud he had twice before led his party into concentration camps under 1934 regime and under Nazi regime, adding he had no desire to lead them into third camps under Russians.

Question whether concrete US support for Austria by American people, Congress and Government will continue hereafter has thus been uppermost in minds of Austria both our friends and also the Communists. The Government and general population therefore received General Clark's farewell speeches with great acclaim. At the same time they consider them a commitment, the first fulfillment of which they will look for in immediate relief program.

ERHARDT

Vienna Legation Files⁸

*The United States Acting High Commissioner for Austria (Keyes)
to the Joint Chiefs of Staff*

TOP SECRET

[VIENNA,] May 12, 1947—5:55 p.m.

P-7189. War for JCS pass to State Department from Keyes. Result of Moscow Conference has raised grave questions in minds of both people and Govt of Austria about the future of the Austrian State. Latter has been constantly subjected to strong pressures ever since liberation. Last year Austrians seriously feared the country would be split apart along demarcation line of Soviet zone. With the country

⁸ Vienna Legation Top Secret Files, Lot 54 F 57, "Army Cables—1947". A copy of this message was sent via the Legation in Vienna and is filed under 863.00/5-1247.

still an integral unit Austrians continue to be faced with dilemma of choosing between eastern and western orientation. So far they have maintained western orientation on basis of strong US and British support and expectation that it will continue.

Recently, however, Soviet and Communist pressure to make Austria turn towards USSR has been increasing again, and Austrians have therefore been again preoccupied by question whether they should maintain resistance to Soviet Union or endeavor to get along with it by collaborating. They remember that for many of them previous efforts to maintain independence ended in concentration camps first under 1934 regime and again under Nazis. With Austrians now occasionally being sent to Siberia and members of Parliament being arrested, the people must think twice of the possibility of future concentration camps under possible Soviet domination. They wish to maintain resistance against latter but not at risk of being forced into it by being abandoned by western powers again as they feel they were at time of forcible *Anschluss* by Germany.

Major factor in their decision whether to maintain resistance to east and orientation to west will be their estimate whether concrete US support for Austria by American people, Congress, and Govt will continue. They therefore received Gen Clark's statements upon his departure with great acclaim as they considered them a commitment of the US Govt to continue concrete material support to Austria.

Gen Clark's various public statements being despatched textually to State Dept.⁹ Excerpts from various public statements are as follows:

"... two years ago ... I was able to inform you of my Govts firm intention to live up to its commitment in the Moscow Declaration to see a free and independent Austria reestablished. Since then I have on many occasions repeated this pledge and it was our adherence to our solemn international obligations which made it morally impossible for the US delegation in Moscow to accept Soviet proposals which violated this promise and quite obviously mortgaged the political sovereignty and the very economic life and independence of your country. The United States Govt will continue to give you its utmost support to obtain and to maintain freedom and independence as long as you continue your untiring efforts to achieve these high aims."

"I can state categorically that this continues to be the desire of my Govt and that its policy will be ably and vigorously carried out by my successor."

"I wish to make clear that in carrying out these projects I was merely implementing the wishes of my Govt in fulfillment of its pledges to restore to Austria that which is rightfully its heritage.

⁹ Despatch 3054, May 9, 1947, from Vienna, not printed.

This will continue to be the policy of my Govt and will be carried out as gladly and with the same sense of personal satisfaction by my successors."

"You have further referred to my efforts to aid your economy and there also I can only reiterate that I have gladly served as an instrument of my Govt in helping you back on your feet. But I am keenly aware of the inadequacy of any relief program which does not provide you with the means of re-establishing your own economy on a completely independent basis."

"Now, as to US policy in Austria. There will be no change. The US Govt, I told you, has pledged itself to re-establish your country and will stick to that objective, and will help you in every way."

"We will live up to our solemn pledges to restore your independence. The US desires to withdraw its troops but it will leave them as long as necessary to achieve these objectives. In our Secretary of State, Gen. Marshall, you have a real understanding friend who has a deep appreciation of Austria's problems and an abiding interest in her welfare."

The US is thus formally committed to continue its policy of re-establishing an Austrian State independent of foreign, particularly Soviet, domination, and Chancellor Figl on behalf of his Govt appears to have accepted Gen. Clark's assurances at their face value. This is also true in the case of the Peoples and the Socialist Parties. Evidently the continuation of this policy implies not only political support, especially in connection with treaty negotiations, but also the provision of appropriate economic assistance until Austrian economy can again be self-supporting. The vital problem is the early and adequate provision of sufficient credits from the relief bill now before Congress¹⁰ to fill the remaining gap in Austria's balance of payments for 1947. This gap, variously estimated at \$85 million (Washington figure) to \$135 million (Vienna). The most important and urgent problem is the early procurement and shipment of foodstuffs under the credit to be later established. These are prerequisite to implementing the policy outlined above.

Following are examples of recent and current articles in US press.

UP, 8 May—"Undersecretary of State Dean Acheson, has announced that because of the failure of the Moscow Conference the

¹⁰ President Truman submitted to Congress on February 21, 1947, a recommendation for an appropriation of \$350 million for a program of free relief assistance in the form of basic items such as food, medicine and agricultural items for Italy, Greece, Austria, Hungary, Poland, Trieste, and China. For the text of the President's recommendation, see Department of State *Bulletin*, March 2, 1947, p. 395. The Joint Congressional Resolution for the program, H.J. Resolution 153, entitled "Joint Resolution Providing Relief Assistance to Peoples of Countries Devastated by War", was enacted into law [Public Law 84] on May 31, 1947; for text, see 61 Stat. pt. 1, 125.

US will push ahead alone in the reconstruction of Germany and Japan without waiting for Big Four agreement."

No mention of Austria.

INS, 8 May—"A group of leading American industrialists returned here today with a warning that America must quickly provide Germany with food and raw materials or communism will sooner or later establish itself in Germany and the rest of Europe."

Austria omitted.

UP, 8 May—"A high administration official said this week that the US general foreign relief plan was calculated to provide sufficient funds for Austria's basic needs and that the curtailed sum of 200 million dollars would not do this."

In the absence of some tangible evidence it is difficult to reconcile such statements with policy above enunciated.

I request confirmation of the policy just described and the earliest possible indication as to whether credits and shipments of food will materialize in time and amount to permit a continuation of this policy. Political Advisor concurs.

740.00119 Control (Austria)/5-1647: Airgram

The Minister in Austria (Erhardt) to the Secretary of State

CONFIDENTIAL

VIENNA, May 16, 1947.

A-192. Vice Chancellor Dr. Adolf Schaerf and Dr. Julius Deutsch have indicated to me in a private conversation a number of relaxations of the burdens of military occupation which the Austrian Socialists consider especially important and ask us to support. Schaerf on May 6 made a speech before the Socialist Party Convention which was distinguished by its defense of the Western Allies, and specifically the U.S., against Communist allegations of ulterior motives. (Reference my despatch 3061 of May 12.¹¹ Analysis of the full text of Schaerf's speech shows that his defense of the American policy toward Austria was even stronger than was revealed in the Vienna press.) His suggestions for relaxation of Allied controls and extension of Austrian sovereignty are based on the Socialist Party's announced program, but cover only those points which are considered especially important or easiest of fulfillment:

1. Renunciation of Occupation Costs. A unilateral step in that direction, Schaerf said, would have a strong effect on the moral position of the other occupation powers. As an alternative, we might propose in the Allied Council that after a certain date, no more occupation

¹¹ Not printed.

costs should be charged to the Austrian Government. (See Legation's report 77 November 8, 1946,^{11a} p. 2 and 2a.)

2. Termination of Civil Censorship. This quadripartite activity, Schaerf said, is primarily supported by the Russians, though entirely paid by the Austrians. Some 2,000 censors are currently employed, and most of them are Communists. Aside from being wasteful of manpower and contrary to avowed U.S. policy, censorship activities are also in conflict with the Austrian constitution.

3. Relinquishment of Control over Interzonal Travel.

4. Repeated explicit confirmation that Austrian Law governs throughout Austria. In this connection, mention was made that, for instance, the arrest of Austrian speed violators by American traffic police, and their summary conviction by American courts; are making a bad impression and are considered at variance with the new control agreement.

5. Customs, Duties, Visas. Schaerf characterized the situation as "particularly humiliating" that French and Russian civilian as well as military personnel are completely exempt from customs examinations. As to visas, he suggested a unilateral declaration that Austrian visas for foreign travelers would be automatically honored in the U.S. zone. (Reference our telegram 42 to London April 24, Secstate 299 May 7, London 77 May 9.¹²)

6. Release of property, especially dwellings under requisition, also release of the blast furnaces at Linz which the Government is still anxious to barter for Czech coal.

Detailed discussions are at present taking place in USFA with regard to these requests and suggestions, which have also been brought to the personal attention of General Keyes. At the same occasion, Schaerf was informed that the US does not support or associate itself with any one Austrian political party and that consequently it is not true, as rumor in Vienna has it, that the U.S. is more friendly toward the People's Party or that it is cool toward the Socialists because of their theories about economic planning. Such theories, Schaerf was informed, relate to internal Austrian affairs which it is the U.S. policy to let the Austrians themselves decide.

ERHARDT

Vienna Legation Files

The Joint Chiefs of Staff to the United States High Commissioner for Austria (Keyes)

TOP SECRET
PRIORITY

[WASHINGTON,] May 25, 1947—2 p.m.

W-98794. From War Joint Chiefs of Staff to Keyes, pass to Erhardt. The following, received from the State Department, is in reply to your P-7189: ¹³

^{11a} Not printed.

¹² None printed.

¹³ *Ante*, p. 1172.

General Clark's statements cited in your P-7189 May 12 indicate desirability close cooperation between U.S. Military authorities and political advisor or State Department in public statements which may be construed as policy declarations or commitments of this government. Clark's speech was not cleared with State Department. Department is seriously concerned about critical situation in Austria after inability to conclude treaty at Moscow Conference and slowness in making available further economic assistance to Austria under present United States plans. We appreciate, as reflected in your P-7189 and legtel 368 May 7,¹⁴ impact of these developments on public temper in Austria and growing anxiety among Austrian political leaders as to wisdom of their previous policy. We are convinced that under these circumstances utmost care should be taken to match our public declarations with concrete performances [lest] disappointed expectations ultimately diminish our influence in this area of central Europe. In general no misunderstanding has been conveyed with regard to the long-range objectives and continuity of our policy, but the scope and force of this policy depend upon the means available for its implementation.

This government continues to regard Austria as of the greatest political and strategic interest. We cannot afford to let this key area fall under exclusive influence of Soviet Union, for if this should happen it would not only consolidate Soviet domination of Danubian and Balkan areas but would also weaken our position in Italy, Germany, and Czechoslovakia. This government will therefore continue to support in every feasible way, any government in Austria that preserves an independent or neutral orientation.

There is accordingly no intention to withdraw our interest in Austria and let that country shift for itself. We shall also endeavor by every means to facilitate Austria's participation in international affairs as sovereign State, which will be greatly furthered by early conclusion of treaty and withdrawal of troops.

It is unquestioned that realization these aims depends especially upon provision of economic assistance required to maintain Austrian ration and to permit reconstruction of Austrian economy. It is neither desirable nor feasible for entire amount of the substantial assistance required to be furnished by this country exclusively. Hence our efforts have been directed toward eliciting some contribution from other occupying powers to add to substantial contributions we have made, and will continue to make, to secure reestablishment of an independent Austria.

The 3 major items of concrete assistance which U.S. might supply are Congressional relief grant, Export-Import Bank loan, and Army

¹⁴ *Ante*, p. 1171.

surplus stocks. Without reference to question of surplus stocks, discussed in paragraphs 6 to 9 of your P-7149 May 4¹⁵ which involves technical considerations that may more appropriately be discussed separately, following information may be furnished regarding relief grant and Export-Import loan:

The bill authorizing 350,000,000 dollars for relief has now passed both Houses of Congress and is awaiting President's signature. Bill provides that 75,000,000 of the total will be made immediately available from RFC funds pending passage of appropriation legislation. Provisional allocation for Austria is approximately 85,000,000 for balance of calendar year 1947 and 30,000,000 for first 6 months of calendar year 1948. As you have been informed these figures are for present planning purposes on assumption that full 350,000,000 will be appropriated, and should not be made public, since whole program for the several countries is subject to adjustments in light of developments. In all planning for Austria due allowance, however, will continue to be made for our special responsibilities there as occupying power, and if present funds should not suffice to meet essential Austrian relief needs, it is intended at the next session of Congress to make further requests for funds and supplies to avoid disease and unrest conditions endangering your position.

Regarding Export-Import Bank loan, it has not yet been possible to satisfy requirements of Bank, which has an independent responsibility in matter. It is hoped after visit of officials of Bank to Germany, Austria, and Italy within the near future, it will be possible to arrive at favorable conclusion of negotiations, which will in meanwhile continue to receive State Department's support.

It is regretted any misapprehension may have arisen over "termination of military responsibility" discussed in paragraphs 2 to 5 of your P-7149. The undertakings of War Department with regard to civilian supplies for 6-month period ending June 30 have been most efficiently discharged. It was agreed financial responsibility for purchases of civilian supplies after that date would be transferred to State Department to be exercised through relief funds received from Congress. State Department thus assumes a responsibility, which will be discharged in field by its representatives subject to your authority as High Commissioner, as you will have been informed by separate cable. As long as Austria is under military occupation High Commissioner and Commanding General of United States Forces will retain all the general authority and responsibility required by situation to discharge his duties and implement this government's policies in Austria. Included in this authority is that of deciding, as the representative of

¹⁵ Not printed.

this government, when to release or withhold release of any relief supplies sent to Austria. This authority is considered desirable in order to support High Commissioner's bargaining position in efforts to elicit comparable contributions from other occupying powers. In addition, for immediate future, until other agencies are provided that can logistically take over procurement and transportation of supplies, this government will continue to utilize Army facilities for these purposes.

This is intended to answer major questions raised by your 7149 and 7189. Special efforts are being made by War and State Departments to expedite shipments of food in immediate future. Within means at our disposal, we are making every possible attempt to secure credits and shipments of food for Austria in time and amount substantially to continue existing program of this government.

863.5151/5-2647 : Telegram

The Minister in Austria (Erhardt) to the Secretary of State

TOP SECRET

VIENNA, May 26, 1947—6 p.m.

440. Recent exchanges between War Dept and USFA deal with new policy recognizing that treatment of Austria as liberated country requires occupation costs collected to date should be refunded, and that USFA should pay all future expenses (Legation's 343, April 26¹⁶). Representatives of Dept took part in Teleconference May 25¹⁷ and have full details, but I wish to add my strong recommendation that plan of implementation proposed by USFA in this Conference receive support of Dept.

Proposed plan not only would eliminate embarrassing questions of "dollar-backed" schillings (Legation's 260, March 26) and avoid complications of prospective Austrian conversion operation, but also should strengthen our position here and that of Austrians most friendly to US.

Believe USFA proposal should be carried through irrespective of any Austrian conversion operation (Legation's 241, March 21, and page 17, report 15, February 17¹⁸). Latter has been considered at intervals in past months and may not materialize for some time despite present tentative date of mid-June. Further delay probable due expected insistence by other Allies on one for one conversion for their own holdings. Austrians themselves are divided as to whether two out of three or one out of two schillings should be withdrawn from

¹⁶ Not printed.

¹⁷ No record of this teleconference has been found in the Department's files.

¹⁸ Neither printed.

circulation (exchange rate presumably to remain ten schillings per dollar), and appear not yet decided on fate of blocked bank accounts. Most desirable US be in position maintain that all such matters entirely Austrian affair.

Suggest if USFA proposal accepted that ensuing public announcement should be agreed upon in advance by both Washington and USFA to obtain most favorable effect in both countries, preferably authorizing General Keyes issue statement in Vienna first. Believe wiser not to stress impropriety of charging Austria with occupation costs since this might embarrass British and French. However, occasion would be suitable for recapitulating American aid to Austria since 1945 through Army, UNRRA, private channels, surplus property, new relief appropriations, and now remission of occupation costs.

ERHARDT

863.5151/5-2647: Telegram

The Secretary of State to the Legation in Austria

TOP SECRET

WASHINGTON, May 28, 1947—6 p.m.

URGENT

355. Fol letter sent May 28 by State to War re subject urtel 440, May 26:¹⁹

"On May 20 the Secretary of State addressed a letter²⁰ to the Secretary of War expressing the hope that the War Department's procedures concerning financial operations in Austria and Korea would be brought in harmony with this Government's policy to treat these countries as liberated areas. I understand there has now been an exchange of views on this subject with Headquarters, U.S. Forces, Austria, as the result of which the following proposal is under consideration:

1. The U.S. High Commissioner in Austria would be authorized to negotiate a settlement whereby (a) the Austrian Government would accept the schillings for which U.S. Army disbursing officers are accountable in dollars and which are now held in a "special deposit account" in payment of all goods, services and facilities obtained from the Austrian economy in the period April 9, 1945 to June 30, 1947, and (b) the U.S. Army would agree to turn back to the Austrian Government, beginning July 1, 1947, all free schillings allocated to it

¹⁹ *Supra.*

²⁰ Not printed.

out of the Austrian budget and to buy with dollars all schillings required to meet its occupation expenses in Austria;

2. In order to avoid delaying such a settlement no detailed reconstruction of the U.S. Army's past procurement in Austria would be undertaken, particularly in view of the fact that the estimated total value of such procurement in the period April 9, 1945 to June 30, 1947 substantially exceeds the amount of schillings in the "special deposit account";

3. In order to meet the balance of its schilling commitments for the remainder of the fiscal year 1947, USFA would be authorized to request the Austrian Government to make an advance out of the blocked Austrian Government accounts in which have been deposited the proceeds of the sale by the Austrian Government of War Department supplies and captured enemy equipment turned over to the Austrian Government. This advance would be liquidated in the settlement mentioned above.

The Department of State considers that this proposal is fully in accord with the Secretary of State's letter of May 20 and would be prepared to lend its support in obtaining approval of the General Accounting Office and of any other authorities whose consent may be required.

I hope that it will be possible to conclude such a settlement with the Austrian Government at a very early date in view of the reported imminence of a currency conversion in Austria. It would have very serious political repercussions if, in the absence of such a settlement, this Government would be required to seek specific protection for the "special deposit account" in a manner which would make it impossible for the Austrian Government to achieve the desired reduction in the volume of schillings in circulation. In this connection, I should point out that the Department of State would not wish to seek any special protection for the schilling holdings of the United States Government, the U.S. Army, quasi-government organizations such as the Army Exchange Service or of U.S. Government and Army personnel in Austria except, perhaps, to the extent to which any person holding such schillings is accountable to the United States Government or to the extent it may be proved that such schillings were purchased with dollars made available to the Austrian Government. Nor would the Department undertake to protect American nationals in general against losses resulting from devaluation of their foreign currency holdings. This position would have to be reviewed, of course, if the other occupying powers succeeded in obtaining special protection of their schilling holdings and those of their nationals."

MARSHALL

863.00/6-747 : Telegram

The Chargé in Austria (Rankin) to the Secretary of State

SECRET

VIENNA, June 7, 1947—3 p.m.

476. Thursday night Ernst Fischer told Figl he had definite word from Moscow USSR will never agree to treaty with present Austrian Government.²¹

This occurred at private meeting to which Figl invited by Kristovics-Binder, Peoples Party businessman, Chamber of Commerce official, and reputed blackmarketeer, criticized within Peoples Party as well as by Socialists for corruption and profiteering. Figl took Kraus, Minister of Agriculture, in order have witness.

Fischer and Binder indicated Gruber and Helmer are intolerable to Soviets. (At end of conference indicated Figl Schaerf Krauland also unacceptable.) For new government they did not propose complete slate, but suggested in addition to themselves Gleissner, liberal Peoples Party Governor Upper Austria, and Machold, Socialist Governor Styria. Binder said "Government of strong men" was needed. Fischer reportedly said no new elections should be held, new government continuing perhaps five years. Figl flatly rejected proposals.

Foregoing information furnished by Gruber. He will give story to AP today and Austrian press later, hoping elicit Soviet repudiation of Fischer-Binder proposals or else rally U.S. and Austrian support for firm resistance to Soviet demands. Partly motivated by personal ambition but determined resist Soviet interference here, he appears inclined capitalize on publicity value this story in conjunction Hungarian news.²²

Fischer has been making overtures regarding changes in Government for several weeks and trying make contact with Figl. Not clear

²¹ Telegram 503, June 13, from Vienna, not printed, reported further on the Fischer-Figl meeting in part as follows:

"Appears Fischer did not inform Figl explicitly he had definite word from Moscow that "USSR will never sign treaty with present government." Impossible ascertain exact words, but seems clear he plainly intimated threat of continued Soviet obduracy unless more satisfactory government composition and policies adopted, which quite consistent with Soviet and Communist line recent months."

The same telegram reported that the flurry of excitement in Austria over the meeting had subsided following an airing of the incident in the Austrian Nationalrat on June 11 (863.00/6-1347). Despatch 3217, June 27, 1947, from Vienna, not printed, transmitted the formal statements made by Figl, Fischer, and their respective political parties together with the comments by the Legation regarding the incident and its political implications (863.00/6-2747).

²² At the end of May 1947, Hungarian Prime Minister Ferenc Nagy, while visiting in Switzerland, was obliged to resign his position and go into exile rather than return to Hungary to face conspiracy charges originating with the Soviet occupation authorities and those Hungarian political factions willing to cooperate with the Soviets. For documentation regarding Nagy's forced resignation and the establishment of a Hungarian Government more cooperative with Soviet authorities, see volume IV.

whether he is acting on firm instructions from Moscow or free lancing in order rehabilitate himself within party.

Sent Department 476, repeated Moscow 54.

RANKIN

863.00/6-1947: Airgram

The Chargé in Austria (Rankin) to the Secretary of State

SECRET

VIENNA, June 19, 1947.

A-232. Vice Chancellor Schaerf, in a recent private interview, indicated that rather to his own surprise he considers that his party (The Austrian Socialist Party) now finds itself "in the American camp". Reviewing the recent history of the Socialist Party, which in the beginning of the occupation had been rather pro-Russian, he said that he and the rest of the party leadership had come to the conclusion that of all the occupation powers the United States is the one most interested in Austria's welfare as such. (See also despatch No. 3061 of May 12.)²³

Although Schaerf's British contacts (with exponents of the Labor Party) have always been of the best, he came to the conclusion that it would be wise not to become identified with any of the occupation powers but to try and find an "Austrian course" steering between the interests of all four powers. His outspoken criticisms have in the past frequently been directed also against U.S. policies, and he is deeply appreciative of the fact that such criticisms have not swerved us from our course of helping Austria. Schaerf made it plain that his "Austrian course" may in the future lead him again into conflict with some U.S. policies from time to time, but he wants us to know that his party believes the U.S. is more genuinely interested in the real independence of Austria than the other powers.

Regarding relations with Russia, Schaerf indicated that he fully endorsed President Renner's position in regard to avoiding bilateral negotiations between Austria and Russia and indicated that he had had a hand in spiking the Russian proposal for a jointly-owned oil company at Zistersdorf, in October 1945. He believes that a complete breakdown of the present Vienna treaty negotiations²⁴ would produce unfortunate internal political reactions, and thought that in the interests of keeping the discussions alive, the U.S. should be willing to accept the Russian basis for discussion with the proviso that

²³ Not printed.

²⁴ For documentation regarding the participation by the United States in the work of the Austrian Treaty Commission in Vienna, May 12–October 11, 1947, see pp. 577 ff.

if the other subjects were not discussed in the same manner as the subject of oil, we should reserve the right to nullify whatever agreement was reached with regard to oil.

Comment

The above conversation took place on June 12, before the Treaty Commission reached apparent agreement on a procedure for discussing the main subjects in dispute. As regards Socialist relations with Great Britain, public opinion in Austria considers that the Socialist Party is most intimately associated with Great Britain, and that a similar relationship exists between the People's Party and the U.S. Actually, American relations with the Socialists have become much more close and cordial during the last few months, until at present they are probably as good as British relations with the Socialists, or as U.S. relations with the People's Party which, as the strongest single party, naturally has more leading exponents in official contact with American authorities in Vienna. The British, however, have made public gestures of support and encouragement for the Austrian Socialists. No such gestures or demonstrations have been made by the U.S., nor would they appear to be desirable at this time.

RANKIN

Editorial Note

On June 21, 1947, Lieutenant General Keyes and Austrian Chancellor Figl signed in Vienna an agreement regarding the settlement for war accounts and claims incident to the operations of the United States Forces in Austria during the period April 9, 1945, to June 30, 1947, and an agreement concerning the payment of the United States occupation costs. These agreements were negotiated during early June by officers of the United States Forces in Austria, with the assistance of experts from the War and Treasury Departments and with the participation of members of the Legation in Vienna. Texts of the two agreements, as given to the Allied Council for Austria by the Austrian Government, were transmitted to the Department as enclosures to despatch 3257, July 9, 1947, not printed (740.00119 Control (Austria)/7-947). In a statement issued to the press on June 23, 1947, the Department of State explained the new agreement with Austria regarding occupation costs; for text, see Department of State *Bulletin*, July 6, 1967, page 45.

On June 25, 1947, the United States and Austria concluded in Vienna a Relief Agreement under which the United States Government undertook to provide Austria with relief assistance under the

authorization provided in Public Law 84, 80th Congress, May 31, 1947; for the text of the agreement, see Department of State *Bulletin*, July 6, 1947, pages 39-41.

863.00/6-2647 : Telegram

The Minister in Austria (Erhardt) to the Secretary of State

CONFIDENTIAL

VIENNA, June 26, 1947—11 a.m.

548. US decision to pay occupation costs beginning July 1²⁶ has captured the imagination of the Austrian public and enhanced significantly American prestige. These views are strongly reflected in the non-Communist press.

The Socialist Party which is daily becoming more markedly pro-US points out that our action is in-line with Socialist program enunciated May 6. While Communist action may be developed later the initial efforts of local Communist press to distort US action have probably only brought further discredit on Communists.

Local British and French comments heard here have been favorable although they have observed neither had been consulted beforehand. Gruber tells me local British officials have pointed out that while British Treasury is not in a position to follow American policy, Lord Pakenham's visit this week may bring forth a lesser gesture in that direction. French Commanding General understood to be recommending to his Govt the refund of part of the schillings they now have on hand and a renunciation of certain types of occupation costs in future.

In my opinion this tangible fulfillment our liberated area declaration, coupled with signing relief agreement,²⁶ and arrangements make for continuing 1550 calorie ration scale until harvest, has not only greatly strengthened public morale but also the position of the present govt.

Sent Dept, London as 50, Moscow 55.

ERHARDT

800.48 FRP/7-1747 : Telegram

The Minister in Austria (Erhardt) to the Secretary of State

SECRET

VIENNA, July 17, 1947—9 p.m.

624. So far as indicated by Kourasov's statements²⁷ and by recent events in Austria, possible Soviet objective in protesting against US-

²⁶ See the editorial note, *supra*.

²⁷ At the meeting of the Allied Council for Austria on July 10, 1947, General Kurasov stated that "the agreement signed on the 25th June of this year between the United States of America and Austria aims at a clear, unilateral infringe-

Footnote continued on following page.

Austrian relief agreement (your 512, July 16) ²⁸ could be either (1) to counteract extremely favorable reaction gained by US from agreement and to cast doubt on US motives; (2) [to] show US and Austria that Soviets possess power to block US relief program in Austria or at least in Soviet Zone, as means of exerting pressure for other purposes and perhaps as means of minimizing US observation and reporting in Soviet zone; or (3) to provide advance legal or propagandistic justification for future steps to exclude Soviet zone from US relief program entirely and thereby to bring about effective partition of Austria.

There is serious danger possibility (3) will materialize, but this is suggested by Soviet reaction to Marshall Plan, especially coercion of Czechoslovakia and other Eastern states, rather than by events in Austria.

Partition of Austria, with the more important eastern part including Vienna passing over to Soviet sphere, would be major defeat for US aims in central Europe at this time. Consequently, feel every effort should be made to prevent or at least postpone such a result, and to limit Soviet accomplishments to possibilities (1) and (2) mentioned above.

All reports agree reaction of Austrian public opinion to Kourasov's statements has been almost unanimously hostile to Soviets and friendly to US. Even Austrian Communists are reported surprised and dismayed by Kourasov's attitude. Hence, belligerent counter propaganda not required. In hope of avoiding partition of Austria and of achieving purposes of relief act, recommend keeping US supervision and observation in Soviet zone to minimum compatible with terms of act. Specifically recommend consideration be given to eventual arrangement whereby US observation teams and reporters would be accompanied in Soviet zone by Soviet liaison officers.

Sent Department 624; repeated Rome for Allen as 20; Moscow 61, Paris 100, London 55, Berlin as 48.

ERHARDT

ment of the international agreement regarding Allied control in Austria and attempts to create for the U.S. Element alone a regime of exclusive control and interference in the economic affairs of Austria." General Kurasov also alleged that the United States-Austrian relief agreement was a clear violation of the June 1946 Control Agreement for Austria. The complete text of Kurasov's statement, which was given intensive coverage in the Vienna press, was transmitted to Washington in telegram P-7508, July 11, 1947, from General Keyes to the War Department and in despatch 3270, July 14, 1947, from Vienna, neither printed (800.48 FRP/7-1447).

²⁸ Not printed; it asked for an appraisal of the likely consequences to the U.S.-Austrian relief agreement of the Soviet position set forth by Kurasov (800.48 FRP/7-1647).

863.48/7-1947: Telegram

*The United States High Commissioner for Austria (Keyes) to the
Joint Chiefs of Staff*

TOP SECRET

VIENNA, July 19, 1947.

P-7547. From ComGenUSFA Vienna Austria sgd Keyes cite pasgs. To War for JCS pass to State. Tension between Russians and Austrian Government has been heightened as result of Russian protest over Austro-US relief agreement and Chancellor Figl's courageous and forthright reply.²⁹ There is also feeling that Soviets may want to "punish" Austria for accepting the invitation to Paris and thus identifying itself with western bloc. The Vienna Communist newspaper is sharply attacking Chancellor Figl for allegedly "provoking" the Soviet Union by his reply to Kourasov. The statement by a congressional representative in Washington that the United States may cancel all Austrian relief if the Russians deny US control and supervision in their zone, has also been eagerly taken up by the Soviet press as evidence that the United States is "more interested in control than relief". It is our opinion that a firm line is indicated, confirming our intention of going through with our plan for relief and rehabilitation of Austria, and backing the Figl Government in the dispute over "control" in which all the facts are on our side. Actually, the Russians may yet agree to the supervision and inspection in their zone which was permitted UNRRA in its relief program, and we should not permit the Soviets to make an issue of the word control.

General Bethouart, the French High Commissioner, called on me July 17 to discuss this entire subject on its larger implications. He thought that Kourasov's letter to Figl protesting the relief agreement was of threatening character. He seemed anxious to avoid prolonging the official controversy by inflammatory statements, and I had the impression he would be delighted if I made no answer whatever to Kourasov's protest. He was assured, however, that a reply would be made and that while we do not intend to provoke trouble, we must back up Figl whose own reply had been outspoken and forthright. Bethouart appeared to think that we might make some modifications in the terms

²⁹ On July 10, 1947, General Kurasov addressed a letter to Chancellor Figl protesting against the terms of American-Austrian Relief Agreement of June 25. Figl's reply to Kurasov, dated July 15, 1947, denied that the Relief Agreement infringed on Austrian independence or violated the Moscow Declaration on Austria or the Austrian Control Agreement of June 1946. The substance of General Kurasov's letter and the text of the Chancellor's reply were carried in the Vienna press. Translations of the texts of both letters were transmitted to the Department as enclosures to despatch 3276, July 18, 1947, from Vienna, not printed (863.48/7-1847).

of the agreement, but he was informed that we do not contemplate doing so.

We also discussed Vice Chancellor Schaerf's prediction of disorders in August when the Soviets are in the charge of the Allied Council. We agreed that inasmuch as we will probably be unable to get quadripartite action against disturbances, the three western commissioners should take the necessary steps to insure order in their respective zones. Beyond that, Bethouart was informed that we are prepared also to take necessary measures in the international zone of Vienna in an emergency. We also agreed that under all circumstances we must resist any effort to make US withdraw from Vienna. The French High Commissioner felt that to keep the Allied Council alive, and to avoid having nothing but disagreements, it might be well to make some minor concessions to the Soviets. He was told that while we are prepared to make some concessions in very minor regards, it is our position that appeasement will not get us anywhere. Bethouart felt that continuous disagreement would lead to proposals to abolish the Allied Council, which would play right into the hands of the Russians. We agreed that we should be on the alert to oppose any tendency on the part of our own press or representatives from home, to suggest the withdrawal of our occupation forces, and that this would also apply to the Austrian press and officials.

[KEYES]

800.48 FRP/7-2347 : Telegram

The Secretary of State to the Legation in Austria

TOP SECRET

WASHINGTON, July 23, 1947—3 p.m.

534. For Erhardt and Giblin pass to High Commissioner. Dept in general agreement with views expressed Legtel 624 Jul 17³⁰ and Keyes' P-7547 Jul 19³¹ re situation created by Kourasov protest of relief agreement and Figl reply. Following points stressed:

1. As we see it, your immediate problem not so much that of emphasizing firmness your reaction, means for which lie in your hands, as that of exercising maximum skill in arriving at arrangement with Sov authorities which will permit relief supplies to enter Eastern zone. Legal opinion Dept (Deptel 523, Jul 18³²), with informal concurrence legal division General Accounting Office, is that if relief cannot for any reason be distributed one part Austria it can continue be dis-

³⁰ *Ante*, p. 1185.

³¹ *Supra*.

³² Not printed.

tributed other parts. If operation relief program for all Austria should prove not possible under agreement as it stands, we are prepared to operate program in three Western zones with possible modification certain provisions existing agreement specifically referring to all Austria. You are accordingly fully backed up under most unfavorable hypothesis that Sov authorities definitely prevent compliance conditions agreement their zone.

2. Exhaust means to reach mutually acceptable arrangement. Most important that relief supplies continue to enter Eastern zone, in order to strengthen Aust Govt, to avoid Sov withholding indigenous supplies their zone from Vienna and western provinces, and to forestall division of country if possible. High Commissioner may in his discretion threaten withholding supplies if necessary for purposes bargaining with Sovs, but should also agree to any feasible working arrangements, such as suggestion Legtel 624 that US observation teams in Sov Zone be accompanied by Sov liaison officers, where possible without compromising basic provisions of law. Dept has given explicit assurances to Congress on latter point. Complete reciprocity may be offered for Sov supervision any relief imports they provide.

3. No leeway under existing commitment to Congress for High Commissioner to accept merely partial compliance with basic terms of agreement or law, although Dept fully aware that in dealings with Sov authorities such increased manoeuvrability would strengthen High Commissioner's hand. Meanwhile report soonest any development which cannot be met under your present instructions and if possible suggest arrangements necessary your judgment to counter Sov obstruction in order avoid alternative of confining relief to Western zones.

4. Difficulties of situation should not be publicly magnified into greater issue than it actually is. Suggest brief but effective assurance to other High Commissioners, Aust Govt or public that "US intention is to supply relief envisaged by agreement in whatever areas it is possible, to the extent that, in the judgment of the US authorities, the purposes of the agreement can be carried out". Agreed that Figl will be backed up, but Figl should understand that if Sov authorities do not permit compliance with agreement result will be that despite our understanding of Aust helplessness under circumstances we must nevertheless withhold supplies to Eastern zone. Position of Aust Govt fully appreciated.

5. Agree that US, Brit and Fr High Commissioners should be prepared for emergency that may be created if Kourasov refuses to permit working arrangement. Any effort to make US withdraw from

Vienna or attempt to divide country further or abolish Control Council will of course be resisted and should be countered as violation existing agreements between occupying powers.

Repeated to Richard Allen, Rome, as 1210.

MARSHALL

863.48/7-2547 : Telegram

The United States High Commissioner for Austria (Keyes) to the Joint Chiefs of Staff

PRIORITY

VIENNA, July 25, 1947.

PC-17246. From ComGenUSFA, Vienna, Austria, sgd Keyes cite pasgs to War JCS pass to State. Subject is Allied Council meeting 25 July French Chairmanship.

The United States High Commissioner replied to the Soviet charges made 10 July concerning the United States Relief Assistance Agreement with Austria of 25 June. (Reference cable 7508).³³ Full text of United States statement follows:

At the Allied Council meeting of 10 July the Soviet High Commissioner, in a prepared statement, commented on and insisted upon discussion of the relief assistance agreement entered into by the Governments of the United States and Austria on 25 June 1947. Under the terms of Article 6 A of the Control Agreement of 28 June 1946, both the Austrian and the United States Governments were within their rights in reaching the agreement bilaterally. The Austrian Government, under the terms of the same article was required to do no more than bring the agreement to the attention of the Allied Council. It did so at the meeting of 28 June 1947. Nevertheless, I welcome the Soviet High Commissioner's concern for the effect of the agreement on Austria as a whole, and I hope that his insistence on discussing this matter will serve as a precedent for Allied Council review of all matters of general Austrian interests. With that idea in view I make the following statement.

I welcome the Soviet High Commissioner's recognition of Austria's need for economic assistance at this time and his solicitude for Austrian sovereignty in consonance with Moscow Declaration.

As for General Kourasov's concern about possible American control over the Austrian economy, I can state categorically that the United States does not seek such control and I find it impossible to understand how the furnishing, on a relief basis, of certain basic materials, fertilizers, pesticides, fuel and seeds, should be construed as an attempt to gain control of the Austrian economy. The supervision and control

³³ Not printed, but see footnote 27, p. 1185.

over the distribution of supplies provided for in the agreement have but one purpose—to assure the American people that their latest contribution to Austrian recovery, coming after more than \$200,000,000 already provided since 1945, will be utilized in such a way that all classes of the population, irrespective of purchasing power, will receive their fair and equitable share. The United States would welcome similar action in support of Austria and under the same conditions by any other power. Moreover, no information will be required from the Austrian Government which would not normally be made public or which will not be equally available to each of the other occupying powers.

For the practical accomplishment of this relief program for the benefit of all Austria, I shall welcome the assistance and cooperation of the other three High Commissioners and I invite each of them to assign a representative to accompany the American representatives charged with observing the actual distribution of supplies to the Austrian public. The observation contemplated by the Relief Assistance Agreement will not in any way impair the authority of the Austrian Government, which alone is charged with full responsibility for the distribution of all supplies furnished under the agreement. The American relief program will be carried out within the framework of the Allied Council's decision of December 13, 1946 dealing with the preparation and approval of monthly food plans, the like of which you have just considered and which included some 17,000 tons of flour now arriving in Austria in accordance with the agreement.

As to General Kourasov's apprehension that this assistance may not be extended equitably and uniformly to Austria as a whole, I wish to emphasize that, far from having any distrust in the Austrian Government, the United States is confident that the Austrian Government, in carrying out its responsibility for distribution, will allow no zonal discrimination. By the very terms of the agreement the supplies are "to be distributed by the Austrian Government to all classes of people throughout Austria." End of statement.

At the close of General Keyes' statement, GENERAL BETHOUART said: Have the other High Commissioners anything to say in connection with General Keyes' statement?

GENERAL KOURASOV: With great attention I have heard the statements made by General Keyes, and with equally great attention I shall try to have this document studied after which I shall be able to express my point of view on it.

GENERAL STEELE: It seems to me a frank statement which ought to satisfy everybody. I would just like to reserve my position regarding the appointment of a representative to accompany the American repre-

sentative for observing the actual distribution of supplies to the Austrian public.

GENERAL BETHOUART did not comment.

New subjects—Actions of Allied Council.

[The remainder of this message reported upon other matters taken up by the Council.]

811.516 Export-Import Bank/7-3047

*Press Release Issued by the Export-Import Bank of Washington, July 31, 1947*³⁴

The Export-Import Bank announced today that it has approved the establishment of credits totalling \$13,005,000 to finance imports into Austria of urgently needed materials and equipment for selected enterprises in Austria.

The credits, which will be guaranteed by the Austrian Government, are to be extended to two Austrian banks, the Creditanstalt-Bankverein and the Laenderbank. They will be used to finance eight projects covering the minimum import requirements of specified enterprises in the following fields: alloy steel, electrical machinery and apparatus, non-ferrous metals, machinery and vehicles, and chemicals. The products of these enterprises are not only urgently needed in Austria but are also in strong demand in European and world export markets, thereby affording reasonable assurance that foreign exchange will be available to service the obligations to the Export-Import Bank.

Of the total of \$13,005,000, \$8,400,000 is allocated for the purchase of materials and \$4,605,000 for the purchase of capital goods. Credits for materials are repayable over a period of 3¾ years and credits for capital equipment over a period of 7 years.

863.00/8-147 : Telegram

The Minister in Austria (Erhardt) to the Secretary of State

SECRET

VIENNA, August 1, 1947—6 p.m.

685. Review of recent developments affecting Austria indicates favorable and unfavorable factors more or less evenly balanced.

Following are major unfavorable factors:

(1) Implications re possible ultimate partition of Austria inherent in Soviet reaction to Marshall plan.³⁵

³⁴ This press release was issued simultaneously in Washington and Vienna. The source text, telegram 574, July 30, 1947, to Vienna, was sent in anticipation of the Bank's action.

³⁵ For documentation regarding the European Recovery Program, see volume III.

(2) Reported Soviet measures in eastern Austria (see recent CIG reports on USIVA) to clean up USIVA, to make permanent improvements to industrial properties under its administration, and to develop eastern Austria's trade with satellites rather than with rest of Austria.

(3) Lack of progress in ATC toward agreement on disputed treaty questions.⁸⁶

(4) Recent events in Hungary, Rumania and Czechoslovakia illustrating Soviet methods in areas under their control.⁸⁷

(5) Continued shortages of food and other necessities, accompanied by rising prices; absence of substantial increase to date in internal production.

(6) Persistent agitation by local Communist press, mainly over food situation and food prices. Although critical stage of food problem is believed past as result new American relief program, Communists are trying in every way to stir up discontent, even by raising false hopes of immediate higher rations. Soviet and Communist propaganda and distortions of fact do not deceive Austrian public generally but naturally cause some uneasiness.

Although state of public morale is generally fair (except for Soviet zone where population is reported to be intimidated and deeply discouraged), above factors have given rise to numerous alarming rumors or theories (my despatch 3278, July 18⁸⁸), such as that Soviet-Communist *putsch* may occur as in Hungary. One prediction often heard in recent weeks is that of demonstrations and disorders during August. While trouble could occur any time, reasons for expecting it in August rather than September are not wholly convincing, and theory is less significant as prediction than as reflection of tendency to wonder what Soviets may do next. (In any case United States Military Police units will be prepared for trouble in United States and international zones.)

Idea of ultimate partition of Austria is spreading, and numerous Austrians owning substantial properties in lower Austria are talking of moving to western zones or leaving country. Idea is occasionally heard that if iron curtain should advance westward to embrace Soviet zone, population transfers would be carried out to dissipate anti-Communist tendencies in Vienna and lower Austria. Austrian dread of partition is revealed by decided preference, believed held by majority, for several more years quadripartite occupation rather than partition if treaty cannot be obtained.

⁸⁶ For documentation on the work of the Austrian Treaty Commission, see pp. 577 ff.

⁸⁷ Documentation on the interest of the United States in the maintenance of democracy in the countries of eastern Europe is included in volume iv.

⁸⁸ Not printed.

On other side favorable factors are following:

(1) Series of constructive United States actions i.e., comprehensive relief program for Austria, decision to pay occupation costs in dollars, and refund of 308 million schillings. Entire population at present very conscious and appreciative of constructive United States efforts. Relief program will permit maintenance of present 1550 calorie ration through summer if there is no delay in ship arrivals, and should in time permit accumulation of modest reserves. Relief program and arrangements made during recent visit Waucher mission to Washington should also produce some increase soon in coal supplies, which should quickly be reflected in increased industrial production. There still remains some uncertainty whether Soviets will exclude United States relief program from Soviet zone by refusing to permit necessary minimum of observation and reporting, but it is at least negatively encouraging that Kourasov in Allied Council July 25 did not reject General Keyes' restrained reply and request for cooperation.

(2) Partnership of Socialists and People's party in present coalition continues firm, and government and leaders of both parties have decisively committed themselves to western orientation.

(3) Basic antagonism between communism and democratic socialism is well understood by great majority of Austrian workers, so that there is little danger of defections or compromises by Socialists here.

(4) Soviets have recently taken several actions conciliatory towards Austria which, whether or not inspired by United States aid program, may mean Soviets do not consider themselves strong enough for show-down.

(A) Soviet social administration chief invited union officials from Soviet zone to meeting July 17 at which Soviet representatives were conspicuously friendly and solicitous concerning complaints and wishes of unionists.

(B) July 21 Figl had two hour interview with Zheltov in friendliest atmosphere Figl could remember.

(C) Soviet Government has responded to Communist plea for early return of Austrian PWs by letter from Stalin (addressed however to Austrian Communist Party rather than government) saying Soviet Government has decided to accelerate return of Austrian PWs so that all will be home by end 1947.

(D) Soviet authorities have recently for first time offered to sell coal to Austria (my 623, July 17³⁹), though significantly at high price.

(E) Hungarian Government has invited Ministers Heintl and Sagmeister to visit Budapest for informal discussions on possible expansion of trade (my 623, July 17).

³⁹ Not printed.

As result of favorable factors outlined above, especially United States aid, which may have been decisive, Soviet efforts to force eastern Austria and Vienna into their sphere are still being frustrated.

Sent Department 685; repeated Moscow 62.

ERHARDT

Vienna Legation Files

The United States High Commissioner for Austria (Keyes) to the Joint Chiefs of Staff

TOP SECRET

[VIENNA,] August 19, 1947.

PRIORITY

P-7681. To War JCS pass to State from Keyes. Soviet reply ⁴⁰ to my statement of July 25 reiterated charges July 10 and called for abrogation of those parts of the Austro-American Assistance Agreement which contravene the provisions of the Moscow Declaration, the Allied Council Agreement and the prerogatives of the High Commissioners. I pursued subject and submitted letters to other three Commissioners requesting approval of my suggested plan for supervision. In spite of definite Soviet position taken, Kourasov agreed to study the plan and as Chairman advised other High Commissioners to do the same. See our P-7663, 15 August.⁴¹ This statement, and the fact that no relief supplies furnished under PL-84,⁴² have entered Soviet Zone, avoided the necessity of facing immediately the decision to exclude Soviet Zone from benefit US Foreign Relief Program. Failure to include Soviet Zone will abrogate Allied Council Agreement of 13 December 1946 "Both indigenous food and that to be imported by any of the four occupying Powers for civilian use will be pooled and placed at the disposal of the Austrian Government for distribution throughout Austria in accordance with the monthly food plan adopted by the Allied Council. The Allied Council, basing itself on the principle of the economic unity of Austria, confirms that food reserves may be transferred in accordance with the approved monthly food plan." It is believed that the most probable results of failure to include Soviet Zone in distribution of relief supplies will be:

1. To place upon the US, the onus for the partition of Austria.
2. To bring counter action by Soviet by closing Zone to indigenous food exports to other Zones. As Soviet Zone furnishes most of the in-

⁴⁰ Reference to the statement by Kurasov at the August 14 meeting of the Allied Council.

⁴¹ Not printed.

⁴² The Foreign Relief Act of May 31, 1947; see footnote 10, p. 1174.

indigenous food available for distribution, it will require the equivalent of 112,800 metric tons of flour or over 13 million dollars more food to sustain the 1550 calorie ration in the three Western Zones and Vienna than it will for Austria as a whole.

3. To endanger plan to continue feeding Vienna as Soviet may stop shipment of indigenous food from all zones to Vienna which includes all the milk, potatoes, fresh eggs and fresh meat. Soviet could also prevent shipment of our relief supplies across their zone to Vienna thus effectively starving the population of the city.

4. To cause the fall of the Figl Government as the present government would be unable to help population Soviet Zone and Vienna and immediate political crisis would arise. The fall of the Austrian Government might well involve the break-up of People's Party-Socialists coalition.

5. To bring Soviet counter action by stopping delivery of all indigenous POL products to western zones and Vienna which would to a large extent prevent collection of indigenous foodstuffs, stop distribution of relief supplies except by rail, stop bus service, ambulances, police vehicles, and garbage collection, thus causing disease and unrest. Such action on part of Soviet would close certain large industrial enterprises which use crude oil, affect operation of the Vienna Gas Works, especially if the supply of natural gas should be cut off at the same time. Refer to our P-7671 18 August and USFA 2 and 5 of TT 37 18 August ⁴³ which states the urgency of our requirements for a reserve of POL.

All of the above appears to be the objective of the Soviets if responsibility for such action can be transferred to us in any way. It is our intention to delay entry of State supplies to Soviet Zone until final definite decision of Soviet is determined. You are aware that resources of Soviet Zone are now pooled with other indigenous production and that U.S. imports are essential to maintain present situation. Without waiting for council meeting, intend to discuss informally with Soviet their attitude and specific objections to Relief Agreement. Kourasov cited specific objection to Article II Paragraph A, Article IV Paragraph c and Article VII paragraph b. He stated these paragraphs to be in obvious contradiction with the new control agreement and the Allied Council decision 13 December 1946 partly quoted above. Refer to our P-7508, 11 July for Kourasov's complete statement. I intend to approach the Soviets at once with following tentative proposals. Request your comment soonest:

(a) After the word "agreement" in Paragraph A, Article II, add the following "and in accordance with the terms of the control agree-

⁴³ Neither printed.

ment for Austria dated 28 June 1946 and the decision of the Allied Council dated 13 December 1946 regarding the food supply to Austria."

(b) To change Paragraph c Article IV to read, "The Austrian Government will furnish regularly current information to representatives of the Four Powers regarding plans and progress in increasing production and improving collection of locally produced food stuff suitable for relief throughout Austria."

(c) To change Paragraph B Article VII to read, "The Austrian Government will furnish promptly upon request of any of the Four Powers information concerning the production, use, distribution, importation, and exportation of any supplies which affect the relief needs of the people."

In spite of the above offered changes to the Relief Agreement the Soviets may remain adamant in their demands for abrogation of certain parts of the agreement. If so, to continue the consideration of Austria as a whole, may further modifications be offered? In this case, what further modifications may be offered?

Appreciate necessity of fulfilling the requirements PL 84 but since none of these supplies are entering Soviet Zone believe this continued negotiation necessary in order to avoid complete failure of our Government's Mission to maintain a unified and independent Austria. Political Adviser concurs.

863.48/8-2247 : Telegram

The United States High Commissioner for Austria (Keyes) to the Joint Chiefs of Staff

TOP SECRET

VIENNA, August 22, 1947.

P-7700. From ComGenUSFA Vienna Austria sgd Keyes cite pasgs to JCS pass to State info AmEmbassy Rome for Allen Relief Administration. Reference paragraph 3 Top Secret rad July 23, 1947, Secretary State to Vienna for Erhardt and Giblin,⁴⁴ and our P-7681, 19 August.⁴⁵

Subject is relief supplies for Austria.

We will not make the tentative proposals for modifying relief agreement mentioned in paragraph 5 of our P-7681, 19 August. Pending your reply to the following proposed plan informal discussions with the Soviets will continue in an effort to clarify their position.

In view impossibility of securing at this time satisfactory plans of cooperation from Soviets in order to implement PL 84 and relief assistance agreement we cannot authorize distribution State Depart-

⁴⁴ Telegram 534, July 23, to Vienna, p. 1188.

⁴⁵ *Supra.*

ment supplies Soviet zone. Since provisions PL 84 can be met Vienna and 3 western zones distribution will continue there as planned. Soviet statements, Communist press attacks and our negotiations indicate Soviets believe they have us in position whereby any action we take on this matter will work to their benefit.

(1) They believe that if agreement is altered substantially Soviets can claim responsibility for alteration and thus state that only upon their insistence was sovereignty of Austria maintained.

(2) If we deny assistance to Soviet zone we break existing quadripartite agreement regarding the pooling of food resources and thus justify expected Soviet action in refusing to release to other zones excess indigenous production from their zone. This would be the first step toward division of Austria. Division at this time coinciding with new harvest starting 16 September will give Soviets tactical advantage in use of surplus indigenous production to increase caloric diet population their zone.

[Here follows a brief review of food availabilities in the Soviet zone of occupation of Austria and estimate of increased import requirements for the American, British, and French zones should the Soviet zone resources be cut off.]

In view of this situation believe we should avoid relief assistance agreement becoming Soviet vehicle by which Austria is partitioned. Propose that WD/CA/MG stocks be used for Soviet zone and State DML stocks be restricted to distribution 3 western zones and entire city of Vienna where no obstacles exist.

[Here follows a detailed plan for the distribution of food relief to the Soviet zone of occupation of Austria.]

Briefly by the expending of 3,374 metric tons of fat and 5,094 metric tons of pulses from CA/MG stocks and by restricting State program to Vienna and western zones, we will :

(1) Checkmate any Soviet attempt to make our failure to distribute food in their zone responsible for the break up of Austria.

(2) Remove a threat to the stability of the present friendly Austrian coalition government.

(3) Preclude the additional import of the caloric equivalent of 112,814 tons of wheat representing the additional expenditure of \$13,000,000 to maintain current ration level in western zones and Vienna until July 1, 1948.

(4) Prevent a complete shut-off of the only available source of indigenous petroleum products. The elimination of the Soviet zone from the benefits of United States relief would in effect bring about an economic and political division of Austria and a retrogression to the status prior to 1 April 1946, the pre-UNRRA period. The objectives

of United States occupation so bitterly fought for in the ACA for the past 2 years and the millions of dollars expended in an effort to bring about economic recovery to hold these objectives will be lost. The Soviets will thus have attained their primary objective of weakening the economic and political structure of Austria and thereby facilitate the spread of Communism.

Propose to utilize CA/MG stocks in Soviet zone and utilize State Department stocks in all parts of Austria that comply with provisions of PL 84. Under this plan we do not anticipate any change in the United States Austrian agreement of 25 June 1947. We will continue our attempts to secure entry into Soviet zone. It urgently desired that the contents of this plan be kept "Top Secret" until approved and implemented inasmuch as we will continue to press the Soviets for their cooperation.

Distribution of coal does not present a problem since requirements of Soviet zone can be met from barter agreements and purchases from other funds available to Austrians.

We feel that food and coal are the crux of the problem in Austria and we are confident that the above plan will permit a satisfactory solution for other items procured under PL 84.

Request approval of above plan. Political Adviser concurs.

800.48 FRP/8-2747 : Telegram

The Minister in Austria (Erhardt) to the Secretary of State

TOP SECRET

VIENNA, August 27, 1947—3 p.m.

789. Every effort is being and will be made to secure working arrangement with Soviets permitting us observation and reporting on US relief program in Soviet zone to extent necessary for formal compliance with relief act and relief agreement. However in order to relieve us of pressure of time and to avoid interruption in flow of essential supplies into Soviet zone urgently recommend approval of plan submitted in P 7700 August 22⁴⁶ which was developed in course of extensive consultation and discussion among General Keyes, Giblin and myself.

In addition to reasons given in reference telegram following points are suggested for Department's consideration :

1. Soviets may well be trying to trap us into refusing aid to their zone and their recent attempts here to intensify war of nerves through press and otherwise may have that purpose. Economic sealing off of eastern Austria would fit in admirably with their aims by facilitating

⁴⁶ *Supra.*

economic integration of area with surrounding eastern countries and leading to ultimate absorption of eastern Austria and Vienna into Soviet sphere politically; but they probably are not ready to repudiate Moscow Declaration unless they can place blame on us. Recent Communist press charges that US will withhold aid from Soviet zone in order to partition Austria suggest Soviets hope we will take action enabling them to place blame on us for that result.

2. Austrian Socialist Attaché at Paris has written unofficially to Schaerf purporting to summarize conversations with members French Government (principally Mayer, Tanguy-Prigent and Ramadier) concerning Bidault's report to cabinet in July in which latter is said to have expressed fear Soviets were preparing to repudiate agreements for quadripartite occupation Vienna and to terminate western forces rights of transit and supply through Soviet zone. Western powers could thus be forced withdraw their military establishments from Vienna. While this is only a possibility to be borne in mind (Gruber thinks French are unduly alarmed) Soviets should be deprived of every pretext for such action.

3. Owing to great importance of partition issue, because of effect on Austria and on other countries, consider it essential to maintain present status quo until meeting CFM November.

4. Austrian public apparently does not fully appreciate binding effect of relief act stipulations (though effort is being made through *Wiener Kurier* to explain this point). If current food deliveries were disrupted and supplies to lower Austria shut off, many would interpret this as an act of peevishness against the Soviets on our part.

Sent Department as 789, repeated Paris as 131.

ERHARDT

CFM Files : Lot M-88 : Box 75 : Austria 1947

The United States High Commissioner for Austria (Keyes) to the European Command, United States Army

TOP SECRET
PRIORITY

VIENNA, 10 November 1947.

P-8045. From ComGenUSFA Vienna Austria sgd Keyes to EuCom Info JCS; CinCEur.

1. This answers your SX-3754 dated 6 November.⁴⁷ Reference is made also to your SX-3741 dated 6 November.⁴⁷ Presence of occupation forces in Austria is without question a drain on resources of a liberated country. From an economic viewpoint early and complete

⁴⁷ Not printed.

withdrawal of all occupation forces highly desirable. However, psychological, political, and military considerations demand occupation be continued until such time as treaty satisfactory to national interests of Austria and western powers is completed. Cannot agree that what is done in Germany is determining factor.

2. It is believed that psychological effect on Austrian people of complete withdrawal of occupation forces prior to satisfactory treaty settlement without safeguards against Soviet domination would be damaging to our national interests in Europe. Unqualified United States agreement to early complete withdrawal would be interpreted in Austria by majority which now leans toward western powers as a weakening of our expressed determination to establish Austria as a free, independent, and democratic state.

3. Politically a withdrawal might well result in early fall of existing Austrian Government which to date with support of western powers has resisted internal as well as external Communistic pressure. Internationally a Soviet offer of complete withdrawal with United States demanding reservations would put onus of continued occupation on us.

4. The strategic importance of Austria cannot be overemphasized. Abandonment of country to possible Communistic infiltration or penetration would expose south flank of Germany as well as east flank of Switzerland to similar veiled aggression. It is doubtful that Communists would respect for long traditional neutrality and democratic government of Swiss if allowed to extend to their borders. From military viewpoint, if occupied Germany is considered bridgehead in Europe pending peaceful settlement of our current political conflict with USSR, it appears unwise to withdraw occupation forces from Austria until treaty is concluded which will give reasonable assurance that south flank of our occupation forces in Germany is not being exposed by creation of another potential Soviet satellite. In addition, by withdrawing from Austria and particularly from Vienna we would lose prematurely valuable facilities for gaining intelligence relative to USSR and Balkan States.

5. Occupation forces can be and should be reduced in Austria to extent four powers can agree. Ceilings recommended in our P-8021⁴⁷ include requirements for internal security and are considered minimum essential for each of the powers to continue current mission. If authority now vested in Allied Commission were returned to Austrian Government as powers reach agreement on various articles of the eventual treaty, occupation forces could be reduced progressively. Minimum essential for each occupying power pending final agreement

⁴⁷ Not printed.

on treaty would become its residual element of the Allied Commission for Austria plus small complement of troops necessary for logistical support and, for United States, those necessary to administer relief program under Public Law 84.

6. If Soviet proposal to withdraw all occupation forces is considered a strong possibility, attention is invited to recommendations submitted in Section H, Strategic Survey of Austria (economic) prepared by this Headquarters which is being forwarded to JCS and information your Headquarters. Such a proposal submitted by United States without delay after opening of treaty negotiations would place Soviets on defensive and avoid undesirable situation wherein United States became advocate of continued occupation. In such event Soviets would be forced to agree if the anticipated Soviet proposal were honest. If anticipated Soviet proposal were not honest onus of continued occupation in force would be on them.

7. Attention is invited further to conclusion drawn by this Headquarters and expressed in cable P-7869, 2 Oct ⁴⁷ to Dir of Intelligence, United States Army that present Soviet influence on Austrian economy is such that Austria would succumb to Soviet domination within six months after withdrawal United States occupation forces unless treaty effectively relieved present Soviet control.

740.00119 Control (Austria)/11-1647: Telegram

*The United States High Commissioner for Austria (Keyes) to the
Joint Chiefs of Staff*

CONFIDENTIAL

VIENNA, November 16, 1947.

P-8071. From ComGenUSFA Vienna, sgd Keyes, cite pasgs to JCS, pass to State. Subject is Allied Council meeting of 14th November.

The Federal Chancellor addressed a letter to the Allied Council on 14 October in which he pointed out the desirability of increasing Austrian food rations at an early date, preferably before the winter set in. The general undernourishment of the population was described, with its consequent reduction in human efficiency which, in turn, exerted an adverse influence on the general reconstruction of Austria. The Chancellor also stated his belief that a liveable ration scale would permit the people and the government work successfully to combat the black market, since the people would not be required to supplement their rations from that source to such an extent. This would have the effect of diverting additional quantities of food to the legitimate market. In conclusion the Chancellor asked that the ration scale be based on 1800 calories daily for the normal consumer and that the

Allied Council procure the food supplies required to make possible the increase effective 10 November.

The reply of the Executive Committee was drawn up at the 5 November meeting. The Allied Powers acknowledged the desirability of a ration increase but felt it necessary to point out the danger of increasing the national food requirements at a time when the world food situation was critical. Furthermore, the Executive Committee letter drew the Chancellor's attention to the undesirable situation which would result if the ration scales were raised at this time, but subsequent food shortages necessitated a later cut in the rations. Finally, the Executive Committee asked the Austrian Government to draw up and submit a food balance until the next harvest basing their requirements on a proposed 1800 scale and stating all sources of supply including the fullest utilization of indigenous resources.

At the Allied Council meeting today the United States High Commissioner made the following statement:

"For some time I have been gravely concerned with the inadequacy of the Austrian food ration, in view of the approaching cold weather. My food experts have been working in close association with the competent [competent?] Austrian officials in exploring every possible means of increasing the basic food ration. I am satisfied that every effort will be made by Austrian authorities to achieve the agreed estimated goals in indigenous production despite the adverse conditions created by the drought and unfavorable weather of the past summer. I am also convinced that an increase in the basic ration at this time will diminish the diversion of food into illegal channels and facilitate the collection of the indigenous harvest. In consideration of the Austrians' efforts to help themselves the United States element feels that every effort should be made by the Allies to come to their assistance. It is my firm conviction that the present basic ration is inadequate to embark upon a winter in which clothing and fuel for domestic heating will be in short supply.

"I have carefully examined the resources which my government can place at the disposal of the Austrians to alleviate this situation, but find that the world commitments of the United States are so strained that it is difficult to find additional supplies for Austria. Nevertheless I will support to the full limit of the availabilities placed at my disposal by the United States Government any efforts on the part of Austrian Government to raise the basic ration. In view of the fact that the United States is now supplying approximately 60 percent of the Austrian basic ration, I would ask my colleagues on the Allied Council for a statement as to whether they are in a position to contribute toward raising the basic ration. I believe it is essential to the accomplishment of our joint basic mission of creating a democratic and economically sound Austria to take steps to increase the present inadequate ration."

The Allied Council studied the Austrian Government's food plan for the 34th ration period (10 November to 7 December). The United

States element agreed to cover the deficits shown in a 1600 calorie plan, after certain adjustments in the needs of self-suppliers had been made. In addition, the United States representative was prepared to partially cover the deficit in pulses by the use of food products of different calorific value. The Executive Committee had previously reached agreement that consideration should be given only to a 1,600 caloric plan. Likewise, all elements were in agreement with the government's proposal to use additional sugar stocks in order that the basic ration scale should be raised from 1550 to 1600 calories. Other substitutions for pulses and whole milk were accepted. It was the unanimous opinion of the Executive Committee that the studies of the food authorities in the Allied Commission could be facilitated if the quantities of food imports were known.

Disagreement arose, however, when the United States, British and French elements proposed to calculate indigenous bread grain availabilities as one thirteenth of the total 240,000 tons estimated by the Allied Council as obtainable from the 1947 harvest in Austria. Disregarding the official Allied Council figure of 240,000 tons, the Soviet representative insisted on taking the same proportionate fraction of a total 190,000 tons, the amount claimed by the Austrian food and agriculture authorities to be available from this year's harvest. The Soviet element also insisted that the supply of meat from any zone be proportionate to the amount consumed in that zone. But, it was insisted that any quantity in excess of 37 percent of the total of 10,364 tons of meat collected in the Soviet zone should be stored for later consumption only in the Soviet zone of Vienna and the Soviet zone of Austria. The United States High Commissioner rejected any such plan which calculated Austrian food supplies on a zonal basis. He pointed out that the Allied Council food agreement of 13 December 1946 specified both indigenous food and that imported by any of the four occupying powers for civilian use would be pooled and placed at the disposal of the Austrian Government for distribution throughout Austria in accordance with the monthly food plan. The same agreement states that food reserves may be freely transferred in accordance with the monthly food plan.

It was decided to defer consideration of the question of grain yield until an inquiry to the Federal Chancellor had been answered. No agreement was reached on the question of meat collection.

During consideration of the November solid fuel plan, the Soviet High Commissioner raised charges that the Austrian Government was discriminating against the Soviet zone of Austria in the allocation of coal. He demanded that Allied Council instruct the Austrian Government to increase the distribution of coal to the Soviet zone by 6,000

tons during November. Figures were presented which allegedly indicated that the United States zone was receiving two and one half times the amount of coal that it received as compared with ten years ago; whereas, the Soviet zone was getting but 46 percent of the 1937 figure. These statistics were viewed as meaningless by the other elements, since the intervening 10 years had seen large industrial developments in western Austria such as the Linz steel plant and other industries which were entitled to a portion of coal availabilities. The United States element pointed out that a matter of coal allocations was strictly the responsibility of Austrian authorities, and furthermore, it was impossible to divorce the coal problem from that of liquid fuel. The United States, British and Austrian efforts to obtain vital coal supplies were compared to the illegal export by the Soviet element of large quantities of liquid fuel to destinations outside of Austria. No action was taken.

[The remaining portion of this message reported upon other questions taken up by the Allied Council for Austria and by the Executive Committee of the Allied Council.]

CFM Files : Lot M-88 : Box 75 : Austria 1947

Memorandum by the Deputy Director, Office of European Affairs (Reber) to the Assistant Secretary of State for Economic Affairs (Thorp) and the Assistant Secretary of State for Occupied Areas (Saltzman)

TOP SECRET

[WASHINGTON,] November 18, 1947.

I should like to call attention to the two attached top secret telegrams from Vienna (P-8025 November 5 and 1153 November 13⁴⁸) regarding the appeal by the Austrian Government to the United States authorities for an increase in the basic Austrian ration. These are two

⁴⁸ In his message P-8025, November 5, from Vienna, not printed, General Keyes reported that the Austrian Government had appealed to United States authorities for an increase in the basic Austrian food ration. Telegram 923, November 8, to Vienna, not printed, authorized General Keyes to inform the Austrian Government to proceed with the ration increase but warned that the increase would have to be kept to the minimum. The State Department could not give any assurance that additional United States funds would be available for Austrian relief supplies above those currently programmed for the Foreign Relief Program pending further action by the Congress (800.48 FRP/11-847). In telegram 1137, November 10, from Vienna, not printed, General Keyes and Minister Erhardt stated that it was their view that the future of the Austrian Government depended upon an increase in the food ration (800.48 FRP/11-1047). Telegram 1153, November 13, from Vienna, not printed, reported that General Keyes would inform Austrian Government authorities that the United States concurred in raising the basic caloric level to 1700 beginning immediately but would urge postponement of further increases to 1800 pending more definite assurances from Washington regarding additional supplies (800.48 FRP/11-1347).

of a series which indicates the need to increase the ration to 1800 calories at the earliest possible date.

The Austrian population has been maintained since the end of hostilities on a caloric intake slightly above the famine level. Despite the fact that this is one of the lowest levels of consumption in Europe, the Austrians have shown a remarkable self-discipline in resistance to Soviet pressure and Communist blandishments. It is uncertain how much longer self-discipline and political stability can be maintained unshaken unless the ration is increased to 1800 calories. Vienna's top secret telegram 1153 indicates that it is planned to make some increase in the ration, perhaps to 1700 calories, on the basis of the present program of food shipments in order to cope with the political situation. It also suggests that this increase will merely serve as a temporary expedient in arresting the development of the ration issue as a question of the most serious political importance. A standard of 1800 calories represents to the Austrians not merely another increase in food consumption but a tolerable diet under the circumstances, as contrasted with undernourishment at any lower ration. This goal has become weighted with political and psychological associations disproportionately great. The fixing of the ration at 1800 calories would thus strengthen the hand of the present Austrian Government in relation to Communist pressure, and would strengthen the position of the United States. This is all the more urgent in view of the failure of the four powers to reach agreement on the Austrian treaty when the Treaty Commission adjourned on October 11, and in view also of the remote possibility that an agreement may be achieved in London in the forthcoming CFM meeting.

I recommend on the basis of these considerations that every effort be made to work out with General Balmer and a technical expert from Vienna (who are now in Washington for discussions) a program of food imports which will make possible the announcement of a ration of 1800 calories in Austria as soon as it is clear whether a Congressional appropriation for the Interim Aid Program will permit the maintenance of this standard during the first quarter of 1948.⁴⁹

Since we do not see how any program can be formulated on the basis of increased grain shipments, owing to limited grain availabili-

⁴⁹ On December 17, 1947, Congress enacted Public Law 389, entitled "Foreign Aid Act of 1947", providing for immediate aid urgently needed by the peoples of Austria, China, France, and Italy. The Third Supplemental Appropriation Act, 1948 (Public Law 393, 80th Congress, December 23, 1947), appropriated \$522 million to the President to enable him to carry out the provisions of the Foreign Aid Act. For the texts of these laws, see 61 Stat. 934 and 941.

ties at this time, it is essential to provide funds for the additional imports of other food stuffs required for a ration of 1800 calories. We believe that such a ration increase should also depend on increased collections of indigenous food. Any announcement of an 1800 calorie ration should accordingly be accompanied by a statement that the increase is dependent on the increase of local collections. The successful implementation of this plan would impress the Austrians with the fact that this standard is dependent on their own efforts as well as on the direct relief of the United States. This would also strengthen the hand of the Austrian Government against the separatist trends which have developed in the Western provinces as a result of the fear that Austria will ultimately be partitioned. An increase in the ration to 1800 calories appears urgent if we are to continue to expect the Austrian Government to persevere in its cooperation with the United States and in opposition to Soviet and Communist pressures.

740.00119 Council/11-2147: Telegram

The Acting Secretary of State to the United States Delegation to the Council of Foreign Ministers at London

TOP SECRET

WASHINGTON, November 21, 1947—6 p.m.

4935. Secdel 1497. For Williamson. In connection ComGenUSFA's P-8045 Nov 10,⁵⁰ which you may have discussed with Keyes and Erhardt, desirable Dept be informed earliest details any US proposal in CFM re drastic reduction occupation forces. From here we see greatest advantage propagandawise if such proposal is made in advance of possible Sov proposal for withdrawal troops rather than in response thereto. Latter might appear to have been forced by Sovs and presented as compromise offer not necessarily in good faith or at least as inviting further negotiation re size of remaining forces and kinds of projects in which they can be employed. In addition to points covered in P-8045, it would appear feasible in any US proposal to add stipulation that maintenance remnant occupation forces should be borne entirely by respective occupying powers and not by Austria.

We wish to exploit publicity value any such USDel proposal by all possible media, preparation for which Dept will undertake on priority basis as soon as notified.

LOVETT

⁵⁰ *Ante*, p. 1200.

863.515/11-2147 : Telegram

The Acting Secretary of State to the Legation in Austria

SECRET

WASHINGTON, November 21, 1947—7 p.m.

URGENT NIACT

959. From State, War and Treas. Pass to Keyes. After brief consideration of new Aus currency conversion law, details of which were received only within last two days, we make following observations: (Relegtel 1175 to Dept, War TT 8758 Nov 19, Deptel 955, Nov. 20⁵¹)

1. In view of long desired currency conversion, political situation in Aus and overwhelming support in Parliament, we assume you will support law in ACA :

2. On basis of rapid study, appears that law may be inequitable to extent it provides for differential treatment of currency as against deposits. Therefore, in stating US position in ACA, it is thought desirable that High Commissioner make clear that US notes that capital levy is considered by Aus Govt as integral part of financial reform. We view this statement as providing basis for rebuttal of charges which may be made against possible inequities present currency conversion law. US position on currency reform law could thus be clarified if necessary by explaining that US anticipates that such inequities as may develop under law will be corrected by capital levy.

3. Should our understanding be correct that there are inequities in currency conversion law, we assume you will wish to state informally your opinion to Aus Govt that coming capital levy will adjust such inequities.

4. Re para 3, Legtel 955, Nov. 20, should there be a turn-about which might lead to more favorable treatment for USIVA funds than for funds of other Aus business enterprises, please keep London and Wash informed because of implications for CFM of issue of extra-territoriality.⁵²

LOVETT

⁵¹ None of the messages under reference here is printed. On November 20, 1947, the Austrian Government submitted to the Allied Council for Austria a currency conversion law approved by the Austrian Cabinet and the Austrian Parliament. In the Parliament only the four Communist representatives had dissented. The Communist Minister for Fuel and Power, Karl Altmann, resigned from the Cabinet in opposition to the measure. The currency conversion law, which had been under discussion since June 1947, was designed to eliminate excess purchasing power and thereby a major cause of serious inflationary pressure within the Austrian economy.

⁵² Telegram 1192, November 22, from Vienna, not printed, replied that the views outlined in this Departmental telegram would be expressed to the Austrian Government. The telegram stated: "US position has been and will be for present support of democratically accepted Austrian law." The telegram concluded:

"Legation opinion is that, granting risks of second conversion during occupation, timing of current law was peculiarly inept. Certainly choice of period so

Footnote continued on following page.

863.515/12-447

Record of Trans-Atlantic Teletype Conference

TOP SECRET

[WASHINGTON,] 4 December 1947.

TELCON 8812.

WASHINGTON CONFEREES:

Col W C Baker	CAD
Lt Col P A Feyereisen	BUD (Main Conferee)
Maj T W Archer	CAD
Mr P P Claxton	State
Mr Jerome Jacobson	State
Mr Wm Stibravy	State

LONDON CONFEREES:

Lt Gen Keyes	
Lt Col Kretzman	
Mr Ekern	
Mr Martin	SD
Mr Beam	
Mr Saltzman	

Subject: Currency Conversion in Austria.

(Following Washington-London items constitute material transmitted by Washington to Vienna and London in behalf of the two stations. Items are also contained in Washington-Vienna conference, TT 8811.⁵³)

WASHINGTON: DA-1

Purpose of setting up this circuit is to provide classified communication with Vienna who says they cannot talk directly to London.⁵⁴

WASHINGTON: DA-2

(USFA-6, Vienna, in reply to DA-6, part I of TT 8811⁵⁵).

close to opening of CFM meeting and to Christmas for enactment of measure which offered such opportunities for Communist propaganda and Soviet obstruction was decidedly unwise. First result has been to give Soviets additional important means of pressure on Austrian Government. It should be noted that, while US element here had general info concerning forthcoming currency reform and so reported to Washington, Austrian Government took final action independently and added new features at last moment." (863.515/11-2247)

⁵³ Record not printed.

⁵⁴ In TT-8811, December 3, the Vienna conferees explained their communication problem as follows: ". . . our communication with London by two means only, one by coded messages which are very slow or by telephone which is tapped by Soviets." (863.515/12-347)

⁵⁵ In the section of TT-8811 under reference, the Washington conferees asked the Vienna conferees if it had been possible to arrange a postponement of the December 4 meeting of the Allied Council for Austria which was scheduled to make a decision regarding the approval of the Austrian Government's currency conversion law of November 20.

Soviets are in the chair and arranged meeting at 1000Z. No postponement of meeting has been arranged.

DA-3

(USFA-1, Vienna)

List of conferees present at USFA:

B Gen T F Hickey	USFA C/S
Hon J G Erhardt	US Minister
Col C E Hixon	Asst Dep Commissioner
Mr A W Marget	Econ and Fin
Mrs E L Dulles	Polad
Mr C W Yost	State Dept
Mr C C McIver	Polad

DA-4

(USFA-2, Vienna)

Mr Erhardt requests that Williamson and Beam participate.

LONDON: EA-1. Re DA-4

Williamson enroute and will call Beam immediately.

WASHINGTON: DA-5

(USFA-3, Vienna)

We wish to repeat item (USFA-6, TT 8803⁵⁶) sent to Washington last night:

Briefly here is the situation. Two things are involved—the currency law and a bilateral agreement between the Soviets and Austrians,⁵⁷ to which both agree. We are committed to upholding the Austrian Government who desire passage of this law. The Soviet-Austrian agreement is theoretically none of our business. The only way that we can prevent this agreement going thru is to veto the law when it comes up at the Allied Council meeting at 1100 Vienna time tomorrow. The political implications of any veto by US would be to place the entire responsibility for interfering with the orderly process of government in Austria on the US element. We propose to approve the law at the AC meeting tomorrow. We also propose to tell the Austrian

⁵⁶ Dated December 3, 1947, not printed.

⁵⁷ On December 2, 1947, the Austrian Government and the Soviet occupation authorities concluded an agreement relating to the proposed Austrian currency conversion law. Under the terms of the agreement, the Soviet authorities would receive from the Austrian Government 490 million new Austrian schillings, would surrender to the Austrian Government 133 million old Austrian schillings, and would cancel an alleged 600 million schilling loan to the Austrian Government on which Soviet authorities had sought repayment since 1945.

Government that the agreement between them and the Soviets is their responsibility alone and the fact that we do not publicly oppose it is not to be construed in any way as approving it. If this law does not pass at the AC meeting tomorrow the Federal Chancellor has informed the US element that the law could not be put into effect until after Christmas resulting in most serious political and economic consequences. As we failed to be present at an AC meeting today which fact has no doubt already reached the world press both Soviet and Communist elements will easily be able to place complete responsibility on the US element for failure to support the present government and will place that government in a precarious position. Both British and French elements were present at proposed AC meeting this afternoon and were prepared to approve the law and urged the US element to appear and join them in approving the law. This bargain not palatable to US but the price is not too much to pay for Soviet cooperation and other constructive results expected. On the other hand failure of prompt passage this law might be disastrous and we would be held responsible.

WASHINGTON : DA-6

(USFA-4, Vienna)

As you know we have been trying to get Washington approval of currency conversion law. This morning at 0500Z we received the following instructions.

"The statement to be made in ACC [ACA?] should include the following points:

US Govt is extremely anxious to assist Austrian currency stabilization in every possible way. Its position in this regard has been made entirely clear from its previous statements that it could approve the law as submitted by Austrian Government on November 20.

However, the law as submitted indicated no side agreement between the Soviets and Austrian Government. This side agreement has been examined and it is noted that it results in changing the meaning and effect of the law and would provide for special treatment for the Soviets. US cannot approve the law with this change and it is therefore essential that this side agreement be withdrawn."⁵⁸

WASHINGTON : DA-7

(USFA-5, Vienna)

Personal from Erhardt to Keyes.

⁵⁸ In TT 8811, the United States position on the currency conversion bill was explained as follows:

"State and Army hold view that treatment exacted by Soviets under Soviet-Austrian agreement is extortionate and would have unfavorable repercussions in Congress in connection with request for Austrian relief funds and possibly Marshall Plan." (863.515/12-347)

Emphasis on technical aspects in communications from Washington makes us fear that overriding political considerations are not being given full weight. Austrian Govt is publicly committed to this financial settlement with Soviets and disapproval at this late stage would cause most grave political and economic repercussions which would seriously shake position of government. Moreover, failure of US to state objection at earlier stage has been interpreted by Austrians as tacit approval. Full onus for breakdown of Austrian-Soviet agreement and possible resulting collapse of financial reform would be placed on US which would be accused of interfering with democratic conduct of affairs by Austrian Government.

This action of US would be exploited to full both politically and propagandawise by Communists who have from outset opposed currency law.

Although Soviets have in my opinion through exercise of pressure obtained more from Austrians than may be justified I am convinced that deal will in any case be carried out in one way or another after expiration of 31 day period only effect of US veto at this point would be to place on US full responsibility for grave economic and political confusion which will certainly result from delay in application of currency law. We would be placed in position of interfering with measure which [has] solid Trade Union support.

In view of these considerations I strongly recommend to the Secretary that we approve law at ACC meeting this morning, at same time stating clearly that our approval implies no indorsement whatsoever of Austrian-Soviet agreement.

LONDON: EA-2

To USFA Vienna.

What was the amount of the estimated advantage to USFA of lump sum settlement in connection with pay as you go plan?

WASHINGTON: DA-8

(USFA-6, Vienna. Re EA 2, London)

Austrians estimate that the approximately 309 million schillings involved in lump sum settlement will at best barely cover claims against US outstanding prior to 1 July 1947. Since final settlement of these claims will take a very long period, it may well be that the cost to the Austrian Government will be considerably more than 309 million schillings.

LONDON: EA-3

To USFA Vienna.

Unless you have other urgent matters anxious to get away in order

to discuss situation Bohlen and Marshall in order to telephone you Marshall's decision before 11:00 Vienna time.⁵⁹

LONDON: EA-5

To USFA from Keyes:

Secretary approves position outlined by Erhardt in his earlier personal for Keyes.

If bi-lateral agreement arises in AC today you may comment along lines indicated in Erhardt's personal to Keyes or reserve comment pending further study. Keyes is telephoning instructions.

LONDON: EA-6

Secretary's decision made after full consideration basis Washington action. Fuller statement of basis Secretary's decision will follow in personal message to Lovett.⁶⁰

863.51/12-447: Telegram

The Minister in Austria (Erhardt) to the Secretary of State

SECRET

VIENNA, December 4, 1947—8 p.m.

1236. Negotiations in regard to Allied approval of Austrian currency conversion law have thrown significant light on both Soviet and Austrian policies and trends.

In regard to Soviets:

1. Soviet willingness to approve law indicates that they were not prepared to promote economic partition of Austria at this time even though relatively favorable opportunity was offered to exploit an issue on which Austrian population was divided.

2. Soviet readiness to leave in lurch Austrian Communists who have bitterly opposed law provides another example of cynical treatment of their foreign followers.

3. Fact that Austrian Communists were permitted to campaign against law and that Altmann resigned from cabinet on this issue 10 days ago, suggests that Soviet decision may have been made at last moment.

⁵⁹ Secretary of State Marshall headed the United States Delegation to the Fifth Session of the Council of Foreign Ministers, London, November 25-December 15, 1947; for documentation on this Council session, see *ante*, pp. 676 ff.

⁶⁰ For the message under reference, see telegram Martel 31, December 5, from London, *infra*.

At its meeting on December 4, 1947, the Allied Council for Austria unanimously approved the Austrian currency conversion law. The United States representative stated that approval on his part of the law did not imply any endorsement whatsoever of the December 2 Austrian-Soviet bi-lateral currency agreement and he reserved the right to comment further on the agreement at another time.

4. Soviet policy of exerting pressure on Austrians to obtain last ounce of economic advantage is once more confirmed. It appears from statement made to US by Figl that Soviets, perhaps in order to obtain final Austrian approval of bargain, threatened to refuse to deliver 9,000 tons of grain expected from Soviet zone.

In regard to Austria:

1. Austrian Government continues to show willingness to make substantial economic concessions to Soviets in order to obtain their consent to measures which Austrians consider to be of domestic political importance. While experts differ as to seriousness of effects of currency bargain on Austrian economy, there is no doubt that Austrians conceded considerably more than they had originally intended.

2. Austrians are manifesting tendency to take US support for granted even in regard to bilateral deals worked out with Soviets. In present instance Austrians signed agreement with Soviets⁶¹ even though Figl had been advised to delay in order to give USFA opportunity to study final terms which had been submitted to US element only several hours before.

We draw following conclusions from above considerations:

1. Soviets may be satisfied, at least for immediate future, to continue to entrench themselves economically in Austria along lines pursued up to present rather than either to promote an economic partition or to endeavor to disrupt present government coalition by fostering Communist offensive. Question arises whether or not this indicated line of policy will also govern Soviet tactics in London.

2. It may prove necessary for the US element in Austria, both in the interest of protecting the Austrian people themselves and with a view to forestalling concessions which might jeopardize Congressional approval of continued US aid to Austria, to insist upon exercising more active restraint upon the Austrian Government whenever the latter is confronted by Soviet pressures to which, standing alone, it might feel obliged to yield.

Sent Department 1236, repeated London for USDel 104.

ERHARDT

863.515/12-547: Telegram

The Secretary of State to the Acting Secretary of State

SECRET

LONDON, December 5, 1947.

NIACT URGENT

Martel 31. Personal for Lovett from the Secretary. With reference to the teletype conference of 3 and 4 December on Austrian currency

⁶¹ Regarding the Austrian-Soviet currency agreement of December 2, 1947, see footnote 57, p. 1210.

conversion,⁶² I consider it necessary to instruct US representatives in Vienna to approve law. The problem arose in AC on same day that Austrian treaty was discussed in CFM.⁶³ Our position on treaty was based fundamentally on maintenance of Austrian sovereignty. Approval of currency law by US involves our policy of treating Austria as a sovereign state and permitting it to regulate internal affairs without Allied interference. Both parties fully supported measure in Parliament and it was passed only with the four Communist members dissenting.

In a political sense, passage of law by Austrian Parliament resulted in ousting of Communists from the Government. Soviet acceptance of currency law in AC decreases prestige of Communists in Austria. Moreover, our voting against law would merely have delayed effective date one month.

In making decision, it was considered that political and economic consequences within Austria in event of failure of law to obtain AC approval outweighed possible bad effects which bilateral agreement might have after law comes into effect.

We are hopeful that full explanation of Austrian Government's action in pushing law in face of Communist opposition will offset possible criticism in US.

There is strong possibility that unless bilateral agreement were signed, Soviets might have refused to implement conversion in their zone thus creating situation encouraging partition. Other alternative would have been the withdrawal of law by Austrian Government with possible adverse effects on position of Austrian Government. Although appreciating the force of your position, I considered it advisable in view of circumstances here to support the Austrian Government in this question.

We should not in any way indicate approval of Austro-Soviet agreement. The basis of settlement is questionable and may include funds open to dispute as German assets. We would appreciate your recommendations and Vienna's views regarding the nature of the protest which might be made against the settlement particularly with regard to the 600 million schilling "loan" and USIVA funds. Consideration should also be given in policy recommendations to means of offsetting influence and activities of any possible legalization of a Soviet bank in Austria as a result of bilateral agreement.

Not repeated to Vienna.

MARSHALL

⁶² See TT-8812, December 4, p. 1209.

⁶³ For a report on the 9th Meeting of the Council of Foreign Ministers at London, December 4, 1947, see telegram 6326, Delsec 1521, December 4, from London, p. 747.

863.515/12-947: Telegram

*The Chargé in Austria (Yost) to the Secretary of State*⁶⁴TOP SECRET
NIACT

VIENNA, December 9, 1947—5 p.m.

1258. USFA and Legation believe that any protest against Soviet-Austrian side agreement (ReDeptel 998 Dec. 8)⁶⁵ should be weighed with great care. Protest against total sum involved presented at moment when currency conversion is just getting under way would be likely, (1) to shake confidence of Austrian public in currency reform by implying that sum conceded to Soviets was so large as to nullify effects of law, and (2) to shake confidence of Austrians in their government by suggesting that it has sold out to Soviets. To create either of these impressions would not only work counter to US economic and political objective in Austria but would also in our opinion not be in accordance with facts.

If any protest against agreement is made at this time, we believe it should be confined solely to Soviet use of their approval of currency law as instrument of pressure to induce Austrians to settle on terms highly favorable to Soviets long standing 600 million schilling claim only 200 million of which had any shadow of validity. Aside from this feature it could well be argued that settlement was not unfair and that it merely eliminated in application of law certain elements of discrimination against Soviets resulting from their special banking practices. British and French elements each have over 200 million for exchange at one to one rate and, if settlement of last June had not been made, US element would have similar amount.

As to settlement as a whole Austrian Government, rightly or wrongly, remains convinced that agreement by Soviet element to support conversion is well worth price paid. It feels, moreover, that cancellation of Soviet 600 million claim as part of settlement was important advantage rather than disadvantage. Furthermore, it must be remembered that US has made side agreements with Austrians on occupation costs and on PL 84 and that, although cases are of course in essential respects not analogous, our protest would be subject to counterattack on these grounds.

Advantage of presenting protest on point referred to in second paragraph of this telegram would be that it might help to discourage Soviets and Austrians, particularly latter, from making similar bargains

⁶⁴ Telegram Telmar 64, December 10, to London, repeated to Vienna as 1006, not printed, stated that the Department was in accord with the recommendations contained in this telegram (863.515/12-547).

⁶⁵ Not printed; it informed that the Secretary of State had requested the Department and Vienna to submit recommendations on the nature of the protest that might be made against the Austrian-Soviet currency agreement of December 2, 1947 (863.515/12-847).

in future and to demonstrate to Austrians our determination to continue to resist Soviet economic pressure here. On the balance, however, we are doubtful whether this advantage is sufficiently great under the circumstances to warrant protest at this time unless US position at CFM would be strengthened by opportunity to point out and publicly present instance as further example of Soviet pressure on Austrian Government. Should it be decided for this or other reasons that protest should be made now, favorable occasion would be regular meeting of Allied Council December 12, since at last meeting we reserved right to make further comment on Austro-Soviet agreement. It would be helpful in this case if British and French elements could be instructed from London and Paris to support protest.

As to second sentence of Deptel under reference we are not inclined to feel that influence of Soviet Military Bank will be enhanced by agreement except to extent that Soviet economic position as a whole is fortified by this settlement. We believe that it is this position as a whole, rather than any of its individual elements, which it will be necessary for the US to combat whether or not the CFM is able to reach agreement on an Austrian treaty. A program along these lines has already been submitted in the USFA strategic survey of Austria (economic) dated Oct 1947 and in LegsDesp 3412 Sept 18⁶⁶ and further related recommendations will be submitted shortly.

Sent Department 1258, repeated London for USDel 112.

YOST

Vienna Legation Files: Telegram

The United States High Commissioner for Austria (Keyes) to the United States Delegation at the Council of Foreign Ministers in London

TOP SECRET

VIENNA, December 10, 1947—6 p.m.

114. For Saltzman, USDel, from Keyes. In the event no treaty for Austria is obtained in London, one of the most important steps we can take to bolster the Austrian Government will be the immediate support of an 1800 calorie ration. No measure that could be taken would have as rapid and favorable reaction nation-wide. As explained in our P-8175⁶⁷ (this program based on 1800 calories beginning 1 January 1948) preparation for procurement from 31 March until Marshall plan becomes effective must be initiated in time to keep pipelines filled and cover this period. Most important that programmed food and food to be procured under legislation now under consideration in Congress be expedited to reach Austria at earliest possible date. Present

⁶⁶ Neither paper under reference here is printed.

⁶⁷ Not printed.

rate of shipments are in arrears of program to such an extent that current ration rate will soon be endangered. Food reserves enhance our bargaining power and position which in turn is reflected in increased strength of Austrian Government.

863.515/12-1047 : Telegram

The United States Delegation at the Council of Foreign Ministers to the Legation in Austria

TOP SECRET

LONDON, December 10, 1947—8 p.m.

NIACT URGENT

138. Delsec 1537. For General Keyes⁶⁸ from Erhardt. Situation in CFM on Austrian treaty makes it necessary that protest be made in AC on 12 December against Soviet Austrian side agreement (Legtel 112, December 9).⁶⁹ Protest should be framed in such a way to avoid counter-blast against US relief agreement or other US agreements with Austria, or to weaken confidence of Austrians either in new currency or government. Objective of protest should be prevention of bilateral agreement on larger issues following termination of CFM. It is possible that if no treaty is forthcoming, Soviets might propose after termination of CFM a bilateral deal on German assets promising withdrawal of Soviet forces if settlement is made. Since alternative to lack of agreement or treaty is continued military occupation, Austrian Government might find it inexpedient to reject offer of bilateral settlement. In view of these considerations it is recommended that you enter formal protest in AC on 12 December along lines contained in Legation's 112, emphasizing Soviet use of pressure in obtaining settlement of 600,000,000 schilling claim and, secondly, source of funds in claim which US has always contested as a valid debt.

No approach has been made to the British and French in London on this question.

Please telegraph immediately complete text of your statement⁷⁰ in order that it may be utilized here.

Sent Vienna 138, December 10, 8 p.m., from London.

⁶⁸ General Keyes, who served as an Adviser to the United States Delegation at the Council of Foreign Ministers in London, returned to Vienna prior to the conclusion of the Council session. Erhardt, meanwhile, left Vienna and joined the United States Delegation in London.

⁶⁹ The same as telegram 1258 to the Department, p. 1216.

⁷⁰ Telegram 116, December 11, from Vienna to London, not printed, gave the text of the United States statement delivered to the Allied Council for Austria at its meeting on December 12:

"During the discussions on the currency protection law the Soviet Element concluded an agreement with the Austrian Government on 2 December which

Footnote continued on following page.

863.51/12-1347: Telegram

The Chargé in Austria (Yost) to the Secretary of State

SECRET

VIENNA, December 13, 1947—2 p.m.

1278. Soviet pressure on Austrian Government initiated or developed during last fortnight add up to impressive list. Following are most important:

1. Delay in approval of currency law resulting in Austro-Soviet side agreement.
2. Extension of controls on movement of goods in and out of Soviet zone.
3. Demand that 75 locomotives be turned over immediately to Yugoslavs.
4. Proposal to sell to Austrians for 400,000,000 schillings large quantity of rolling stock of various origins seized by Soviets as war booty.
5. Announced intention to raise prices of petroleum products 150%.
6. Demand presented to Interior Minister Helmer for replacement of Liberda, Director of Public Safety for Lower Austria, by Duermayer.⁷¹
7. Kidnapping of Katscher, official of Austrian railways.
8. Arrest of Klor, official of lower Austrian Labor Office.

Present status of issues listed above is as follows: No. 1. is successfully completed; No. 2. is being negotiated between Soviets and Austrians; No. 3. was brought before AC December 12 without apparent result; No. 4. is being brought before economic directorate of AC in near future; No. 5. has been withdrawn and No. 6. has not yet been further pressed; there are no developments on Nos. 7. and 8.

In spite of quantity of pressures initiated during brief period it is not yet possible to state that they represent any new departure in Soviet policy. Nevertheless accumulation of such acts, even though they may not be consciously coordinated, at moment when CFM is still in

included the settlement of a so-called loan of highly questionable validity involving 600,000,000 Reichsmarks most of which the Soviets themselves confiscated from Austrian banks only a short time before. The funds were of course Austrian funds and should never have been removed from the jurisdiction of the Austrian Authorities. Approval of any Austrian law should not be conditioned on a bilateral agreement. Such agreements should be based entirely upon the merits of the agreement itself, negotiated free from pressure of unrelated matters. In our view this agreement does not meet these fundamental conditions." (Vienna Legation Files)

⁷¹ Telegram 1235, December 4, 1947, from Vienna, not printed, reported that Austrian Minister of Interior Helmer had a call from a Soviet officer representing General Zheltov. The Soviet officer demanded the removal of the Director of Public Safety in Lower Austria and his replacement by Heinrich Duermayer, former Communist Chief of the Vienna State (Secret) Police until his removal by Austrian authorities in September 1947. Helmer had informed the Soviet officer that he would never appoint Duermayer to the position (740.00119 Control (Austria)/12-447).

session would certainly appear to indicate that Soviets do not contemplate any relaxation of their duties in Austria. On other hand failure of Soviets to take advantage of favorable opportunity offered by currency conversion law to promote either definite economic split or widespread economic confusion would seem to forecast policy of steady and cumulative but indecisive pressure rather than any drastic step which might result in breakdown of control agreement or of Austrian Government's authority over whole country.

USFA concurs.

State please pass to Army.

Sent Department 1278, repeated USDel CFM London 124.

YOST

863.5018/12-1547 : Telegram

The Assistant Secretary of State for Occupied Areas (Saltzman) to the United States High Commissioner for Austria (Keyes)

SECRET

LONDON, December 15, 1947—10 p.m.

Martel 79. Pass to Keyes from Saltzman. State Department replying my message reporting your advocacy of immediately increasing Austrian ration to 1800 cabled as follows:

"Due to present uncertainty as to both finances and supplies for Austria, do not believe we can encourage Austrians at this time to raise ration though realizing that decision on ration scale should be made by Austrian Government and Allied Council".

Department, however, is taking all possible steps help keep food pipeline filled, and, as you know, has been able facilitate arrangements two previous shipments grain.

Hope to discuss briefly with French, British here possible economic program for Austria, preliminary to detailed discussions and study, both Vienna, Washington and Paris, London in general line with your ideas expressed to me here.

Department fully realizes urgency of action to consolidate position of Austrian Government and moderate elements in Austria as well as to make provision for Austrian economic developments in anticipation of continued deadlock over treaty. Financial aid, however, must be reconciled with overall ERP considerations which are in state of flux according meagre information available here.

Repeated Department for information Army Department.

**B. INTEREST OF THE UNITED STATES IN THE SETTLEMENT BY
AUSTRIA AND ITALY OF THE QUESTIONS AFFECTING THE STATUS
OF THE SOUTH TYROL**

865.014/9-447

*The Counselor of Legation in Austria (Denby) to the
Secretary of State*

SECRET

VIENNA, September 4, 1947.

No. 3391

I have the honor to make herein an interim report on the South Tyrol problem which, in its two most pressing aspects, namely the status of the optants and the form of the proposed autonomy for that area, has not progressed beyond the discussion stage.

One at any rate of the underlying difficulties appears to be lack of confidence on both the Austrian and the Italian sides toward each other. It is an unfortunate lack of mutual confidence and yet there doubtless is some justification for it. The Austrians seem to feel that the Italians have no intention of carrying out wholeheartedly and fully the Agreement signed in Paris on September 5, 1946.⁷² The Italians, on their part, seem to feel (as far as I can judge here in Vienna) that the Austrians do not regard the Paris Agreement as a definitive solution of the problem and will not be completely content until the South Tyrol is reincorporated into the Austrian homeland.

Dr. Karl Gruber, the Austrian Foreign Minister, referred briefly to the problem in an address delivered to the Tyrolese branch of the Austrian Peoples' Party at Innsbruck on August 23, 1947. He recalled that the Paris Agreement had been given an international status by being included in Article 10 and Annex IV of the Peace Treaty with Italy. Conversations had, he said, been in progress for some time between Italy and Austria to implement the Agreement, and in particular, consideration was being given at present to the settlement of the complicated and difficult question of the South Tyrol optants (i.e. the people who had the right of option to choose their nationality and to choose whether they wished to live in the South Tyrol or not.) Dr. Gruber recalled that several tens of thousands of them were living outside the Tyrol, in Germany, Austria, Czechoslovakia, and elsewhere,

⁷² The agreement under reference is included as Annex 4 to the Treaty of Peace with Italy, signed in Paris, February 10, 1947; for text, see Department of State Treaties and Other International Acts Series 1648. The agreement provided for Italian-Austrian conversations to settle outstanding questions affecting the South Tyrol.

and were now being given an opportunity to return. He concluded by saying that the many difficulties involved would be mastered, and that the justified demands of the Tyrolese people would be met, but that it was proving a hard struggle.

The Legation is informed by the Austrian Foreign Office that there are approximately 75,000 optants living outside the South Tyrol and that two-thirds of them wish to go back to that province. There are 42,000 in Austria at present, and 23,000 are living in Germany, mostly in Bavaria. Several thousand have already made their way back to the South Tyrol illegally.

In July 1947, the Foreign Office asked the assistance of the Legation and of U.S. authorities in the American Zone of Germany as a channel of communication in transmitting to the Bavarian authorities a memorandum setting forth the desire of the competent Austrian authorities to compile statistics on the optants in Bavaria, in order to prepare for their eventual repatriation. The Austrian authorities expressed the desire for that purpose to set up an Austrian repatriation office in Munich where relevant data could be collected. The Legation has not inquired as to recent developments in this regard but understands from an informal consultation with an official of the Italian Legation in Vienna that the Italian authorities have for some time been aware of the desire of the Austrian Government to establish several of these fact-finding offices including a central office of that character already in existence in Innsbruck.

For several months, the Austrian and the Italian authorities have been discussing the provisions of a legislative measure to be introduced in the Italian parliament which will set forth the various conditions under which returning South Tyrolese will be able to resume Italian nationality, reacquire property rights, and in general reestablish themselves in the province. A regularization is also necessary of the status of those persons, understood by the Legation to number 30,000, who opted for German citizenship under the Hitler-Mussolini Agreements of 1939⁷³ but then did not actually leave the South Tyrol. The contemplated legislative measure likewise defines certain classes of persons, such as former Nazi officials and war criminals, who will not be permitted to return. It is estimated that there are about 500 such persons, not including their families.

As to present conditions within the South Tyrol, reports reaching this U.S. Army Headquarters from Austrian sources seem to indicate that the Italian objective is to rid the local administration of the few remaining South Tyrolese before the optants' return and the autonomy question is settled. Reports prepared by the South Tyrol Peoples' Party

⁷³ For a summary of the agreement under reference here, see *Documents on German Foreign Policy 1918-1945*, Series D, vol. vi, Document 562, p. 778.

are understood to tell of a systematic elimination of South Tyrolese from Government and municipal jobs; of dismissal of schoolteachers; and of pressure exerted against professional groups. The Paris Agreement stipulating that the South Tyrolese be accorded proportional representation in the local administration apparently is being violated—an example of how the Agreement is carried out being that Italian participation in local administration was 95 percent before Paris, and is reported to have increased to 97 percent since then. The current over-all picture within the South Tyrol thus seems to be one of distrust of the Italian Government on the part of the South Tyrolese with Austrian sympathies, set against the Italian impression that the South Tyrolese are impatient and unreasonable in their claims.

Further details are contained in the enclosure herewith, i.e., an extract from a report prepared in the Office of the Assistant Chief of Staff, G-2, USFA.⁷⁴

Respectfully yours,

For the Minister:
JAMES ORR DENBY

865.4016/9-2347 : Telegram

The Secretary of State to the Legation in Austria

SECRET

WASHINGTON, November 7, 1947—3 p.m.

917. Vienna's 1057 Oct 17, rptd Berlin as 83, Rome as 48; Berlin's Desp 10983 Sept 23 and Tel 3392, Oct 21, sent Vienna as 74, rptd Rome as 59; Rome's 3373 Oct 23 sent Vienna as 50 rptd Berlin as 66.⁷⁵ In dealing with question registration South Tyrolean optants raised by Austrian Govt in *note verbale* Oct 4,⁷⁶ Dept proposes to send communications to both Austrian and Ital Govts.

We feel repatriation South Tyrolean optants should be carried out if this is agreed by Austrian and Ital Govts in current negotiations re implementation Agreement Sept 5, 1946, or if Ital Govt otherwise agrees to their reception. Dept believes, however, optants in US zone Germany should not be registered until such agreement lest false expectations be aroused with resulting unrest. Since eventual repatriation would be entirely voluntary in character no reason is seen for unnecessary hardship provided that transferred optants obtain same privileges as established German-speaking residents South Tyrol (Berlin's Desp 10983). Communication to Ital as well as Austrian Govt desirable in order to indicate although US does not envisage

⁷⁴ Not printed.

⁷⁵ None of the messages under reference here is printed.

⁷⁶ The *note verbale* under reference here was reported upon in telegram 1057, October 17, from Vienna, not printed. The text of the *note verbale* was transmitted to the Department as an enclosure to despatch 3459, October 20, from Vienna, neither printed (865.4016/10-2047).

registration at this time, US does take an interest in equitable solution problems connected with implementation Sept 5 Agreement.

Following is text note drafted from foregoing standpoint to be sent Austrian Leg here :

"The Dept of State has been informed that the American Leg in Vienna has received from the Austrian Federal Govt a *note verbale* dated Oct 4 requesting transmission of a communication to the Bavarian Govt by way of United States Military authorities in Munich concerning registration by the Bavarian authorities of South Tyrolean optants now resident in Bavaria.

"In the consideration of this matter the Dept of State has borne in mind the circumstances under which such optants were transferred from the Bolzano Province and the neighboring bilingual townships of the Trento Province in Italy pursuant to the Hitler-Mussolini Agreement of 1939. It is also recalled that Paragraph III (a) of the Provisions Agreed upon by the Austrian and Italian Governments on September 5, 1946, incorporated as Annex IV to the Treaty of Peace with Italy, states that the Ital Govt will, in consultation with the the Austrian Govt, deal with the optants' question 'in a spirit of equity and broadmindedness.'

"The Dept of State subscribes in principle, therefore, to the repatriation of those optants who as residents of the South Tyrol were subjects of the Austrian-Hungarian monarchy prior to the cession of this territory to Italy in 1919, or are immediate kin of such persons, with the exception of those regarded as objectionable on account of their Nazi activities, and who now wish to return, provided that the necessary arrangements may be worked out for their reception in the Bolzano and Trento Provinces. In the view of this Govt the language of Paragraph III (a) of the aforementioned Agreement of Sept 5, 1946, indicates that Austria is recognized by the signatories to the Ital Treaty as having a participating interest in the liquidation of the entire problem created by the population transfers under the Hitler-Mussolini Agreement of 1939.

"In so far as optants in the US zone in Germany are concerned, the Dept of State is convinced that it is not desirable for administrative reasons to register these persons for repatriation until the Austrian and Ital Govts have settled all questions in their current negotiations on the means to give effect to Paragraph III (a) of the Agreement of Sept 5, 1946.

"In connection with the *note verbale* of Oct 4, the Dept of State wishes to point out that since the Govts of the German *Laender* are forbidden by quadripartite decision to participate in foreign relations, communications involving possible action by the *Laender* authorities in the US zone of Germany should be addressed by foreign Govts to the US Military Govt in Germany."⁷⁷

⁷⁷ Telegram 1244, December 5, from Vienna, not printed, reported receipt of a note from the Austrian Foreign Ministry dated December 2 replacing the note of October 4. The new note of December 2 was to the same effect as the note it replaced except that a modification of form and phraseology had been effected to clarify the point that the United States Military Government authorities in Germany were being addressed rather than the Bavarian provincial government (865.4016/12-547).

Above text would be sent Italian Emb *mutatis mutandis* with omission final para and transposition fourth para immediately after first para.

Your comments requested.

Sent Vienna as 917; Berlin as 2252; and to Rome as 2306.

MARSHALL

865.4016/11-1647 : Telegram

The Minister in Austria (Erhardt) to the Secretary of State

SECRET

VIENNA, November 16, 1947—10 a.m.

1162. Gruber tells me he has as yet no information as to the results of Austro-Italian negotiation in Rome.⁷⁸ (Re my 1109, November 3)⁷⁹ on subject of South Tyrolean optants. He has previously mentioned that American Delegation at Paris had given him courage to reach an agreement with De Gasperi. With that in mind, Gruber has mentioned informally twice, when he felt the Italians were obstructing a settlement, he might have to approach the Dept to use its good offices with the Italians so that a settlement could be reached "in spirit of equity and broadmindedness". The impression was left with him that his policy, which he had enunciated to me so frequently, on endeavoring to reach an amicable settlement bilaterally was admirable and he should not at present desist from his efforts to achieve such a result.

In above circumstances Legation suggests that Dept may wish to defer for the moment transmission of communication to Austrian and Italian Govts quoted in Deptel 917, November 7⁸⁰ and allow channel of communications to continue between Vienna and Rome.⁸¹ I fear, should the Dept address itself to both govts at this time, Austrian Foreign Office might take occasion to present grievances to us which may yet be solved by bilateral negotiations.

⁷⁸ Telegram 3897, December 3, from Rome, not printed, reported that an Italian Foreign Ministry official had stated that recently completed Austrian-Italian conversations regarding the South Tyrol had been characterized by a spirit of real cooperation and had concluded satisfactorily. The discussions had centered on a draft Italian law regulating conditions for the return to Italy of former Italian citizens who had opted to go to Germany under the Mussolini-Hitler agreement of 1938 (865.4016/12-347).

⁷⁹ Not printed.

⁸⁰ *Supra*.

⁸¹ Telegram 978, November 28, to Vienna, repeated to Rome as 2476 and to Berlin as 2392, not printed, reported that the Department had decided, on the basis of this message from Vienna as well as messages from Rome and Berlin, not to proceed with the approach proposed in telegram 917, November 7, to Vienna (*supra*). The Department explained that it did not wish in any way to obstruct the channel of communication between the Austrian and Italian Governments or to take any action which might suggest United States intervention or jeopardize the satisfactory conclusion of the current bilateral negotiations (865.4016/11-2047).

As to question of registration of optants in Bavaria, I concur in view of Embassy Rome that Legation should not refuse request of Austrian Foreign Office to act as transmitting agent to govt US zone Germany. A modification of phraseology of the note to clarify point that Bavarian Government is not being addressed could be arranged before transmission. This Legation would inform the Italian Govt of this action through the Rome Embassy and so notify Austrian Foreign Office as suggested in Rome's 3373, October 23.⁸²

On the subject of registration Gruber has told me he regarded it as necessary from the point of view of Tyrolean public opinion that registration machinery could be set up expeditiously outside as well as inside Austria to offer facilities for entirely voluntary registration and that Foreign Office is hampered by lack of knowledge of the number optants may wish to return. Gruber has contended that the Austrian and Italian Govts cannot, even should their bilateral negotiations make substantial progress, complete necessary arrangements for the return of the South Tyroleans until they know the number. Legation concurs in view expressed in third paragraph of draft note quoted in Deptel 917 that under terms of annex IV of Italian Peace Treaty Austria has participating interest in liquidation of entire problem created by population transfers under Hitler-Mussolini Agreement of 1938, including disposition of Tyrolean optants in Bavaria.

Sent Dept, repeated Rome as 53, Berlin as 91.

ERHARDT

865.014/12-1547

The Austrian Foreign Minister (Gruber) to the Secretary of State

LONDON, December 15, 1947.

DEAR MR. SECRETARY OF STATE: Referring to my conversation of 3rd December⁸³ in which I drew your attention to the question of the South Tyrol I beg to explain more precisely the present state of affairs as follows:

The Provisions concerning the South Tyrol which were agreed in Paris and which, while being negotiated, were supported and approved by the Governments of the Western Powers consist of several parts. So far it has been possible to settle satisfactorily a number of items by bi-lateral negotiations. The only question still open is that of the autonomy for the German-speaking population of the South Tyrol. The Austrian Government still prefers to settle this question by direct negotiations with the Italian Government or, to pave a way

⁸² Not printed.

⁸³ See the memorandum of conversation by the Secretary of State, p. 744.

to an understanding between the people of the South Tyrol themselves and the Italian Government. This however pre-supposes that the Italian Government should refrain from imposing an "octroi", i.e. from enforcing by unilateral action provisions not acceptable to the population concerned. A suitable hint from the American side expressing its hope that a solution by agreement would also be found in this matter would undoubtedly help to prevent such an "octroi". I need not emphasize that any mention of Austria having made such a request would, at this stage, hardly serve the cause, considering—as has been emphasized already—that bi-lateral negotiations ought to be continued.

I should like to stress again that it is our earnest desire—not least in the interest of the unhampered execution of the European Reconstruction Plan⁸⁴—to establish the best relations with our neighbour Italy. If the American Government would support us in the above-mentioned way it may be confidently expected that this aim will be reached.

I remain, [etc.]

Sincerely yours,

GRUBER

865.4016/12-2247 : Telegram

The Acting Secretary of State to the Embassy in Italy

SECRET

WASHINGTON, December 24, 1947—2 p.m.

2704. Austrian Minister Dr. Kleinwaechter called this morning on instructions from his Govt (urtel 4138, Dec. 23, rptd Vienna as 69, London as 296⁸⁵) to discuss draft Italian legislation to implement local autonomy for South Tyrol. Kleinwaechter stated South Tyrolese People's Party felt its delegation had not been permitted sufficient consultation in preparation of draft autonomy law as provided in Sept 5 Agreement. The Austrian Govt had instructed its Legation Rome to request postponement of enactment in order to permit further consultation with representatives South Tyrolese. The hope was expressed that US through Embassy Rome might support request informally with the Italian Govt. Kleinwaechter added, however, it was

⁸⁴ For documentation regarding the interest of the United States in a European Recovery Plan, see volume III, The political and economic crisis in Europe and the United States response (The Marshall Plan).

⁸⁵ Not printed; it reported that the British Ambassador was disturbed over indications that Italian legislative measures were arousing discontent in the South Tyrol which showed signs of erupting into violence against the central Italian Government. The telegram commented that the Italians appeared to be acting in good faith, despite the action of more troublesome elements in the South Tyrol, and that the matter was one which might best be left to be worked out between the Italian Government and the citizens in the Tyrol (865.4016/12-2247).

felt that any such informal representations should not appear to have been made at the request of his Govt.

He was informed that in the first instance this seemed a matter between South Tyrolese and Italian Govt but that if his Govt felt the terms of the Sept 5 Agreement were not being fulfilled, the question might well be discussed between the Govts of Italy and Austria. The United States was reluctant to intervene in any manner so long as hope remained that the two Govts could solve through their own efforts any problem arising under the Sept 5 Agreement. Kleinwaechter feared that legislation might be passed before the views of the Tyrolese were given further consideration, or discussion between the two Govts could take place. He was assured that the Dept would make further inquiry regarding the present status of this legislation and whether Austrian Govt representations to the Italian Govt had been answered.

Brit Embassy likewise informed us today that Brit Amb in Rome had been instructed to watch the situation carefully and if there were grounds to urge discretion on the Italian Govt.⁸⁶ Balfour then asked whether Department would be prepared to send similar instructions to you. We agree that the situation should be watched carefully and should you feel developments warrant you are authorized to make an informal approach along these lines.

LOVETT

⁸⁶ Telegram 2674, December 19, to Rome, not printed, reported *inter alia* that the Austrian Minister in London had informed the American Embassy that Chancellor Gruber visited Foreign Secretary Bevin on December 18 and obtained a promise that the British Embassy in Rome would be instructed to advise the Italian Government against proceeding hastily and unilaterally in the South Tyrol autonomy question (863.014/12-1947).

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