EUROPEAN QUESTIONS

GENERAL EUROPEAN QUESTIONS

IMPLEMENTATION OF THE YALTA DECLARATION ON LIBERATED
EUROPE; FREEDOM OF THE PRESS IN EASTERN EUROPE

Editor's Note.—Related papers will be found under the following headings: (a) Bulgaria, Finland, Hungary, and Rumania—Govern-
ments, Control Commissions, Elections, Conclusion of Peace Treaties, and Diplomatic Relations, post, page 686; (b) Germany—Principles To
Govern the Treatment of Germany in the Initial Control Period, post, page 750; (c) Greece—Government and Elections, post, page 1041;
(d) Poland—Government and Elections, post, page 1104; and (e) Yugoslavia—Implementation of the Yalta Declaration on Yugo-
slavia, post, page 1207.

No. 745

Truman Papers

Proposal by the United States Delegation

TOP SECRET

[BABELSBERG, JULY 17, 1945.]

IMPLEMENTATION OF THE YALTA DECLARATION ON
LIBERATED EUROPE

In the Yalta Declaration on liberated Europe signed February 11,
1945, the three governments assumed certain obligations in regard to
the liberated peoples of Europe and the peoples of the former Axis
satellite states. Since the Yalta Conference, the obligations assumed
under this declaration have not been carried out. In the opinion of
the United States Government the continued failure to implement these
obligations would be regarded throughout the world as evidence of

1 Attachment 3 to the minutes of the First Plenary Meeting. See ante, p. 53.
2 For the text of the Yalta Declaration, see document No. 1417, section v.
lack of unity between the three great powers, and would undermine confidence in the sincerity of their declared aims.  

The United States Government proposes, therefore, that the following steps to carry out the obligations of this Declaration be agreed upon at this meeting:

1. The three Allied Governments should agree on necessity of the immediate reorganization of the present governments in Rumania and Bulgaria, in conformity with Clause (e) of the third paragraph of the Yalta Declaration on liberated Europe.

2. That there be immediate consultation to work out any procedures which may be necessary for the reorganization of these governments to include representatives of all significant democratic elements. Diplomatic recognition shall be accorded and peace treaties concluded with those countries as soon as such reorganization has taken place.

3. That in conformity with the obligations contained in Clause (d) of the third paragraph of the Declaration on liberated Europe, the three governments consider how best to assist any interim governments in the holding of free and unfettered elections. Such assistance is immediately required in the case of Greece, and will in due course undoubtedly be required in Rumania and Bulgaria, and possibly other countries.

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3 There is in the Department of State files a different version of this proposal (file No. 740.00119 Potsdam/7-1845). It is in mimeographed form, undated, but it has not been definitely established that it was circulated internationally. In this version the following text has been substituted for the first paragraph:

"With the adoption of the Declaration on liberated Europe signed at Yalta February 11, 1945 the three Governments published to the world an intention of unity in action in the fulfillment of obligations, under certain agreed principles, toward the liberated peoples of Europe and the peoples of the former axis satellite states. In order that there should be clear demonstration of the sincerity of the three Governments in carrying out the principles set forth in this Declaration, it is necessary, in the opinion of the United States Government to adopt effective methods for fulfilling these obligations. The cessation of hostilities in Europe and the resultant safety of communications and supply now enable the three Governments to review the means by which this may best be accomplished."

4 In the version referred to in footnote 3, the following text has been substituted for the last three lines of subparagraph 3; "is immediately required [in the case] of Greece; plans for elections in Bulgaria likewise require the attention of the three governments; also in the case of Rumania and possibly other countries assistance will undoubtedly be required in due course."

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No. 746

864.918/7-1745: Telegram

The Representative in Hungary (Schoenfeld) to the Acting Secretary of State

SECRET

BUDAPEST, July 17, 1945—4 p. m.

297. Gregoriev[,] Pushkin’s Assistant[,] has asked Balogh for list Hungarian newspapermen previously correspondents wholly or in

1 The gist of this message was included in telegram No. 65 of July 19 from Grew to Byrnes (file No. 800.00 Summaries/7-1945).
part for foreign newspapers and who will presumably engage in reporting subsequent to reestablishment international communications. This is first evidence Russians will raise blackout on foreign correspondents but there are no indications they will permit uncontrolled reporting.

SCHOENFELD

No. 747

740.00119 (Potsdam)/7-1945

The First Secretary of Embassy in Portugal (Cannon) to the Assistant Secretary of State (Dunn) \(^1\)

MEMORANDUM

Subject: Work Sheet on Question of Implementation of the Yalta Declaration on Liberated Europe (Annex 3 of United States Agenda \(^2\)).

1. It is important to keep in mind the distinction between the Yalta formula and the armistice control in the satellite states. In our view Yalta should not be invoked to change the armistice administration, which was set up by specific negotiation and which, much as it needs improvement, should be negotiated ad hoc. This distinction is important at the moment, because the Soviet Government may well try to sidestep the issue of implementing Yalta by referring to their new move to give better treatment to the United States and United Kingdom delegations in the armistice commissions.\(^3\)

The British proposal for discussing the Rumanian petroleum question \(^4\) at this afternoon’s session suggests that they may expect the Yalta formula to help out in ameliorating United Kingdom and United States positions under the armistice regimes. We consider that the petroleum problem may indeed require negotiation above the level of the ACC, but that it is not germane to the Yalta Declaration.

2. The British paper on Yalta (their No. 8) \(^5\) favors concluding peace treaties as the first step toward the creation of conditions for the emergence of democratic government. We think that only after some change in the composition of the government in Rumania and Bulgaria should we proceed to normalizing relations. We need not make our demands so rigid as to shut off the means of dealing with an imperfect regime, if we can work out a substantial broadening of the base as a beginning.

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\(^1\) Printed from a carbon copy on which there is an uncertified typed signature.

\(^2\) See document No. 214, printed in vol. 1.

\(^3\) See document No. 309, printed in vol. 1, and documents Nos. 796 and 797, post.

\(^4\) Document No. 837.

\(^5\) Not found.
3. The "consultation" proposed in point 2 of our paper might be by our Ambassadors at Moscow, or our political representatives at Bucharest and Sofia, but preferably not by the Control Commissions, for the reasons mentioned above.

4. The British are proposing adding Yugoslavia to this topic. The Soviet Government would probably object to making a joint "statement" at the conclusion of the conference. Much of the desired effect could be achieved by a joint "message" (not made public) on the basis of which we could exert pressure at Belgrade at appropriate times.

C. W. CANNON

BERLIN CONFERENCE, July 19, 1945.

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No. 748

740.0019 (Potsdam)/7-2145

Proposal by the United States Delegation

TOP SECRET

[BABELSBERG, July 21, 1945.]

IMPLEMENTATION OF THE YALTA DECLARATION ON LIBERATED EUROPE

The Three Governments agree upon the following steps of immediate urgency in the implementation of the Yalta Declaration on Liberated Europe:

1. In conformity with the obligations contained in clause (d) of the third paragraph of the Declaration on Liberated Europe the three Governments agree to adopt adequate measures to enable them to become informed of proposed electoral procedures, and to provide for the observation of elections, in Italy, Greece, Bulgaria, Rumania and Hungary for the choice of Governments responsive to the will of the people.

2. The three Governments agree that in view of the cessation of hostilities in Europe measures should now be adopted to assure prompt and effective procedures to facilitate the entry of representatives of the world press and radio into liberated or former Axis satellite states, and to permit of their freedom of movement, and to afford adequate opportunity for the despatch of their reports without restriction by reason of political censorship, thus providing to world public opinion the basis for an enlightened interest in the welfare and progress of these peoples and a knowledge of the conditions in which they seek to re-establish their ties with other peoples; further, that the three

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1 This paper, undated, is apparently the proposal on this subject submitted by Pyrnes at the Fourth Meeting of the Foreign Ministers, July 21. See ante, p. 194. It is certainly the American draft before the Fifth Meeting of the Foreign Ministers, July 22, and before a subcommittee which met July 22. See ante, pp. 228, 208.
Governments express their desire to see removed, within the countries in question, such restrictions on freedom of the press as may have been imposed to prevent access to news from abroad or the dissemination of news and expression of opinion.

3. The three Governments agree that the Control Commissions in Rumania, Bulgaria and Hungary, in acknowledgment of the changed conditions since the cessation of hostilities in Europe, will henceforth operate on a tri-partite basis under revised procedures providing for tri-partite participation, taking into account the interests and responsibilities of the three Governments which together presented the terms of armistice to the respective countries.

No. 749

740.00119 Potsdam/7-2945; Telegram

The Acting Secretary of State to the Secretary of State

SECRET

[WASHINGTON,] July 25 [1945.]

124. Several telegrams just received reflect Soviet policy and methods in Eastern Europe with respect to elections. Lane's 4463 from Paris 1 has already been repeated to you. Others are condensed below for your and the President's information in connection with current discussions.

British Foreign Office has received disquieting reports from its Chargé in Warsaw. 2 He reports Mikołajczyk pessimistic about participation of all major parties in elections, since Christian Labor Party has been told it could not participate. Mik anticipates similar decisions with respect to other parties during coming weeks. Grabski states Polish people enjoy practically no civil liberties, that Soviet officials are behind each local Government and that secret service under Soviet direction is making many arrests. Mik also alarmed at tendency of Lublin group to make Praesidium, on which Grabski is outnumbered five to one, into real governing body of Poland.

Moscow Embassy still unsuccessful in obtaining entry for Treasury representative Patterson into Bulgaria and Rumania and pessimistic as to chances.

Our Political Officer in Bucharest 3 advised by Julius Maniu he is restraining activity of his National Peasant Party pending Potsdam decisions despite "intimidating or provocative tactics by National Democratic Front and Soviet officials who sought to disrupt party meetings." Maniu considered adequate tripartite ACC supervision of elections impossible and favored their supervision either by non-

1 Document No. 1139.
2 Hon. Robert M. A. Hankey.
3 Roy M. Melbourne.
political or by representative coalition Government. He reiterated that his country would be foolish to oppose the Soviet Union but that his party could not permit Rumania to be governed by an incompetent Communist minority.

Soviet Foreign Office has rejected British protest at Soviet press campaign against Greek Government and British forces in Greece on grounds New Times not organ of Soviet Government. Dekanozov also called British Government's attention to anti-Soviet speeches in Greece, which he said were increasing in frequency and vigor and were "wholly incorrect" in country where British troops were stationed.

Sofianopolous tells MacVeagh he resigned because Molotov convinced him satisfactory relations with Soviets possible only through Greek Government representative of all parties (which coincides with new line of EAM). Sof apparently wishes to head such a Government. MacVeagh considers coincidence of Potsdam discussions, Sof's Russian-inspired resignation and threatening Yugoslav note to suggest Soviets may base refusal to join in supervising elections on alleged inability of non-representative Government to control "chaotic" situation and hold fair elections.

No. 750

740.00119 Potsdam/7-2645

Proposal by the Soviet Delegation

[Translation?] [BABELSCHE, July 26, 1945.]

PROPOSED SOVIET REDRAFT OF PARAGRAPH 2 OF THE PAPER ON LIBERATED EUROPE (FREEDOM OF THE PRESS)

The Conference takes note of the fact that now the representatives of the press of the Allied countries in the countries liberated from German invaders have received the opportunity to work in normal conditions and to describe on a large scale in the press the situation in these countries.

At the same time in view of the termination of the war in Europe conditions have been created which permit to grant greater facilities for the work of the representatives of the allied press in the countries

1 Discussed at the Third Meeting of the Subcommittee on Implementation of the Yalta Declaration on Liberated Europe, July 26. See ante, p. 418.
with which armistice agreements have been concluded, provided the
interests of the security of allied occupational forces in these coun-
tries be observed.

EDITOR'S NOTE.—For the final Conference texts on these subjects,
as included in the Protocol and Communiqué, see post, pages 1491–
1493, 1508, 1510.

INLAND WATERWAYS

EDITOR'S NOTE.—Papers relating specifically to Soviet participa-
tion in the European Central Inland Transport Organization and in
the European Inland Transport Conference are printed post, page 1158,
under the heading: Soviet Union—Participation in European Eco-
nomic Organizations.

No. 751

SWNCC Files

The Joint Chiefs of Staff to the State—War—Navy Coordinating Committee ¹

[Extracts ²]

TOP SECRET

WASHINGTON [Babelsberg], 17 July 1945.

SM—2610

MEMORANDUM FOR THE STATE—WAR—NAVY COORDINATING COMMITTEE

Subject: United States Policy Concerning Dardanelles and Kiel Canal

It is assumed that the request of the State Department ³ for the
views of the Joint Chiefs of Staff concerning the future of the Dard-
anelles is based upon the fact that we have agreed to discuss the
Montreux Convention ⁴ at TERMINAL. A similar request ⁵ concerning
the future of the Kiel Canal indicates that that subject may also be
brought up for discussion.

If, however, notwithstanding the above considerations, ⁶ it is neces-
sary to discuss and possibly reach a decision concerning the Kiel
Canal, then it is the opinion of the Joint Chiefs of Staff that from the
long range and over-all security point of view, the position of the

¹ Concerning the approval of this memorandum by SWNCC and its transmittal
to Byrnes, see documents Nos. 1364 and 1365.
² For the paragraphs of this memorandum not printed here, see document No.
1363.
³ Not printed.
⁵ For the general considerations referred to, see document No. 1363.

[No. 751]
United States should be that in any case, the Kiel Canal should be demilitarized, and:

a. Preferably—the Kiel Canal should be placed under the United Nations Organization and be operated by a mixed commission appointed by and reporting to the Security Council.

b. As the first alternative—the German State of Schleswig-Holstein, which includes the Kiel Canal, should be constituted a strategic area under the trusteeship system with Denmark accepting responsibility as the administering authority, the Kiel Canal then to be operated by Denmark under supervision of the Security Council.

c. As the second alternative—the German State of Schleswig-Holstein, which includes the Kiel Canal, should be annexed to Denmark, with that nation’s consent, and the responsibility for the operation of the Kiel Canal should then be assumed by Denmark.

d. Any proposal by Russia giving her control of or a preferred position concerning the Kiel Canal should be firmly opposed.

For the Joint Chiefs of Staff:

A J McFARLAND
Brigadier General, U. S. A., Secretary.

No. 752

840.811/7-1745 : Telegram
The Chargé in the Soviet Union (Kennan) to the Acting Secretary of State

CONFIDENTIAL

Moscow, July 17, 1945—5 p. m.

2598. Creation of a Danube commission (to Dept as 2598 rptd London 369 Bucharest 92 Belgrade 24 Budapest 26 Sofia 68) is a question still under study by Soviet authorities, Vyshinski told Brit Amb in letter of July 11 replying (Embs 1931, June 6) to Brit query on subject.

KENNAN

1 Sir Archibald Clark Kerr.
2 Not printed. This telegram (file No. 840.811/6-645) reported that a Soviet naval representative in Hungary had indicated his expectation of the early establishment at Budapest of a central international organization for the control of the Danube and that the British Ambassador at Moscow had asked for confirmation from the Soviet Commissariat for Foreign Affairs, adding that the British Government would expect to participate in such an organization.
The Under Secretary of the Navy (Gates) to the Assistant Chief of Staff for Plans to the Commander in Chief, United States Fleet (Gardner)

SECRET PRIORITY

ComNavEu passes action UnderSecNavs 212100 to CominCh and CNO for Rear Admiral Matthias B. Gardner.

Please see Joint Chiefs memorandum to State War Navy Coordinating Committee 17 July 1945¹ original of which was delivered to Colonel Harrison Gerhardt at Terminal on 17 July 1945. . . . ² We³ feel you should vigorously support treatment of Kiel [Canal] recommended by Joint Chiefs if question of Kiel cannot be avoided.

¹ Document No. 751.
² For the sentence omitted here, see document No. 1368.
³ i.e., Gates and Secretary of the Navy James Forrestal.

No. 754

Memorandum by the United States Chiefs of Staff

SECRET

[Babelsberg,] 21 July 1945.

C. C. S. 896 (Terminal)

Internationalization of the Danube River

1. The free efficient use of such rivers as the Rhine, the Weser, the Elbe, and the Danube in the supply of the armies of occupation and in maintaining the bare needs of the civilian populations under their control is essential in view of the limited means of transportation available to fulfill their task.

2. Adequate machinery in the formation of the Rhine Navigation Agency under the Allied Control Council in Germany, and the active measures presently under way to clear the river of obstruction, scheduled for completion in the United States and British zones by 1 September and in the French zone by 15 October, promise to meet the basic needs served by the Rhine. Russia has now no representative on that agency because it has no supply interest. However, politically, it might be expedient to consider favorably a request from Russia for such membership.

3. The Weser and the Elbe while important in the restoration of the German economy are not so vital to the fulfillment of immediate supply needs of the occupying armies.

[No. 754]
4. The Danube, however, though largely clear of obstructions and open to use, cannot fulfill its proper role as a transportation artery in the supply of the armies of occupation and of the populations under their control, unless a Danube Navigation Agency similar to that set up for the Rhine is organized promptly. The need for action is stated in SCAF 471, 3 July 1945, (Enclosure "B").

5. There are certain embarrassments to the formation of such an agency. Local Russian commanders have no authority to act. The river lies both in Germany and Austria and its regulation therefore involves the Allied Control Councils of both countries. The request does not include French membership although politically they are necessarily eligible and no vital disadvantage should result from their inclusion. A Russian protest to representation of the British and the French on the ground that they have no frontage on the river may lead to their request for membership on the Rhine Navigation Agency.

6. The opportunity for the creation of a Danube Navigation Agency will probably never be more favorable than at this conference attended by the heads of state and their foreign ministers to whom the Chiefs of Staff may now so effectively appeal for assistance.

The United States Chiefs of Staff recommended that the Combined Chiefs of Staff forward the enclosed letter (Enclosure "A") to the Department of State and to the Foreign Office.

[Enclosure A]

SECRET

DRAFT

LETTER TO DEPARTMENT OF STATE AND THE FOREIGN OFFICE ¹

The Supreme Commander, Allied Expeditionary Force,² on 3 July 1945, urged the consideration at TERMINAL of internationalization of the Danube. While recognizing the necessity to re-establish at the earliest practicable date the international character of the Danube waterway to meet the over-all question of navigation of the Danube and the rights of all states having interest, he emphasizes the immediate need of an interim Danube Navigation Agency composed of U. S., U. K. and U. S. S. R. representatives, set up in a manner similar to that followed in the creation of the present Rhine Navigation Agency to meet the current problems of supplying the armies of occupation in Austria and the populations dependent upon them.

There are certain difficulties to the creation of such an interim agency. Local Russian commanders lack authority to discuss questions involving navigation of the river within the Russian zone. The

¹ This letter was dispatched on July 24. See document No. 756, footnote 2.
² General of the Army Dwight D. Eisenhower.
river flows through both Germany and Austria thus involving the two Allied Control Councils of Germany and Austria. These councils include the French. The Rhine Agency has no Russian membership. The SCAEF proposal does not include a French representative for the Danube Agency. It is evident that politically all four nations must be eligible to membership on such an agency. It is equally apparent that in the creation of a Danube Navigation Agency there should be but one national representative for each of the four allied nations mutually acceptable to the Allied Control Councils of both Germany and Austria.

It is believed that the opportunity presented by this conference to come to an agreement with the Russian Government creating an interim Danube Navigation Agency should be seized in order to meet the immediate military needs and responsibilities of our armies of occupation in their own supply and that of the civilian population under their control. It is accordingly recommended that the necessary action be taken to consummate this purpose at Terminal.

[Enclosure B—Paraphrase]

The Supreme Commander, Allied Expeditionary Force (Eisenhower) to the Combined Chiefs of Staff

SECRET

[SHAEF] 3 July 1945.

SCAEF 471. The urgency of the international problem discussed herein would suggest its inclusion on the agenda of the forthcoming Conference of the Big Three, if such action is deemed appropriate.

Before the official date of the surrender of the German Armed Forces, all craft on the Danube were moved into the American zone by the officer commanding the Combined German-Hungarian Navies. We have affidavits that this move was completed by the date specified.

The Soviet authorities contend that certain craft did not arrive until after the date mentioned, and have demanded through the American Third Army that certain of these ships be returned to the Soviet zone of occupation. The Soviet authorities have been told that consideration is now being given at the governmental level to restitution of such property.

We have offered, however, for our mutual benefit, to enter into local agreements for the employment of such shipping. Soviet commanding officers who were approached did not have authority to discuss matters which had to do with large-scale navigation of that part of the Danube which lies within the Soviet zone of occupation.

Clarification is needed for over-all questions concerning navigation of the river and the rights of various allied nations, including Yugo-
slavia and Czechoslovakia, which, together with other countries, formerly owned much of the shipping now under our jurisdiction. The immediate problems which demand decision soon are (1) to reach agreements, so as restore navigation on the Danube, for the mutual use of available shipping; (2) to define policy for returning shipping to the Soviet Union, Czechoslovakia, and Yugoslavia; and (3) to assign relative priorities.

I recommend that our policy aim at re-establishing the international character of the Danube, and, as a first step in this direction, that an interim Danube Navigation Agency, similar in nature to the corresponding agency dealing with the Rhine, be set up as soon as possible, membership in the first instance to be confined to the Soviet Union, Great Britain, and the United States, but to be expanded, when expedient, to include all other countries concerned in navigation of the Danube, with a view to re-establishing eventually a permanent International Danube Authority.

No. 755

Truman Papers

Proposal by the United States Delegation ¹


Subject: Free and Unrestricted Navigation of International Inland Waterways.

The United States Government proposes that there be free and unrestricted navigation of such inland waterways as border on two or more states and that the regulation of such navigation be provided by international authorities representative of all nations directly interested in navigation on the waterways concerned.

As an initial step there should be set up as soon as possible interim navigation agencies for the Danube and the Rhine. The functions of the interim navigation agencies should be the restoration and development of navigation facilities on the river concerned, the supervision of river activities in the interest of equal treatment for various nationalities and the establishment of uniform regulations concerning use of facilities, rules of navigation, customs and sanitation formalities, and other similar questions. Membership on these agencies should include the United States, the United Kingdom, the U. S. S. R., France, and the sovereign riparian states recognized by these Governments.

¹ Submitted at the Seventh Plenary Meeting, July 23. See ante, p. 304.
No. 756

Memorandum by the British Chiefs of Staff

SECRET
C. C. S. 896/1

INTERNATIONALIZATION OF THE DANUBE RIVER

1. The British Chiefs of Staff have considered the memorandum ¹ by the United States Chiefs of Staff in which they recommend that the Combined Chiefs of Staff should forward a letter (Enclosure "A" to C. C. S. 896) to the Department of State and the Foreign Office.

2. The British Chiefs of Staff concur in the despatch of this letter as proposed.²

¹ Document No. 754.
² The letter (enclosure A to document No. 754) was dispatched on July 24.

No. 757

740.00119 (Potedam)/7-2546

United States Delegation Working Paper ¹

BERLIN CONFERENCE, July 25, 1945.

Subject: Free and Unrestricted Navigation of International Inland Waterways.

The U. S. A., the U. K. and the U. S. S. R. are in accord that there should be free and unrestricted navigation of such inland waterways as border on two or more states, the Kiel Canal, and the Straits of the Dardanelles, the Sea of Marmora and the Bosphorus, which are comprised under the general term "Straits". The navigation on these waterways should be regulated by international authorities representative of all nations directly interested in navigation on the waterways concerned.

As an initial step there should be set up as soon as possible interim navigation agencies for the Danube and the Rhine. The functions of the interim navigation agencies should be the restoration and development of navigation facilities on the river concerned, the supervision of river activities in the interest of equal treatment for various nationalities and the establishment of uniform regulations concerning use of facilities, rules of navigation, customs and sanitation formalities, and other similar questions. Membership on these agencies should include the United States, the United Kingdom, the

¹ Authorship not indicated.
U. S. S. R., France, and the sovereign riparian states recognized by these Governments.

With respect to the Kiel Canal, it is likewise suggested that an interim navigation agency be established with functions similar to those for the Danube and the Rhine rivers. For the time being, membership on this interim navigation agency for the Kiel Canal should be restricted to the U. K., U. S. S. R., U. S. A. and France, as the occupying powers of Germany. Consultation with other nations directly interested in the Kiel Canal could be subsequently arranged.²

² For the final paragraph of this working paper, see document No. 1372.

No. 758

840.8117/2545

Proposal by the United States Delegation

BERLIN CONFERENCE, July 25, 1945.

DRAFT PROPOSAL BY AMERICAN DELEGATION

Subject: Free and Unrestricted Navigation of International Inland Waterways.

The U. S. A., the U. K. and the U. S. S. R. are in accord that there should be free and unrestricted navigation of such inland waterways as border on two or more states, of the Kiel Canal, and of the Straits of the Dardanelles, the Sea of Marmora and the Bosphorus, which are comprised under the general term "Straits". This free and unrestricted navigation on these waterways should be assured by international agreement.

As an initial step there will be set up as soon as possible interim navigation agencies for the Danube and the Rhine. The functions of the interim navigation agencies will be the restoration and development of navigation facilities on the river concerned, the supervision of river activities in the interest of equal treatment for various nationalities and the establishment of uniform regulations concerning use of facilities, rules of navigation, customs and sanitation formalities, and other similar questions. Membership on both these agencies will include the U. S., the U. K., the U. S. S. R., and France; on the agency for the Rhine River, Switzerland and the Netherlands will be invited to participate; on the agency for the Danube River, Czechoslovakia, Yugoslavia, Hungary, Bulgaria, and Rumania will be invited to participate. Arrangements with respect to the eventual member-

¹ Submitted at a meeting of the Subcommittee on Inland Waterways, July 27. See ante, p. 453. For the final paragraph of this proposal, see document No. 1373.
ship of Austria and Germany will be subject to subsequent agreement among the U. S., the U. K., the U. S. R., and France.

In accordance with the principle of free and unrestricted navigation, it is likewise agreed that the Control Council in Germany shall provide for equal treatment of all traffic passing through the Kiel Canal.

No. 759

Proposal by the British Delegation

[BABELSBERG, July 27, 1945.]

DRAFT PROPOSAL BY THE BRITISH DELEGATION

INTERNATIONAL INLAND WATERWAYS

It was agreed that there should be free and unrestricted navigation on such inland waterways as border on the territories of two or more States and that such free and unrestricted navigation should be guaranteed by international agreements.

As an initial step there should be set up as soon as possible interim navigation agencies for the Danube and the Rhine. The functions of the interim navigation agencies should be the restoration and development of navigation facilities on the river concerned, the supervision of river activities in the interest of equal treatment for the nationals of different states, and the establishment of uniform regulations concerning the use of facilities, rules of navigation, customs and sanitation formalities, and other similar matters. The United States, the United Kingdom, the U. S. R. and France would be members of both these agencies, together with the riparian States, provided that the admission of Austria and Germany should be a matter for subsequent agreement among the Four Powers on the Control Council for Germany and the Allied Council for Austria. Other United Nations with a substantial interest in navigation on these rivers might be invited to participate by agreement between the Governments represented on each agency.

It was also agreed that similar principles should be applied to the Kiel Canal, but that in present circumstances this would be a matter for the Allied Control Council in Germany and would be subject to the requirements of the Allied authorities in Germany.

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1 Submitted at a meeting of the Subcommittee on Inland Waterways, July 27. See ante, p. 453. For the final paragraph of this proposal, see document No. 1375.

[No. 759]
The three Governments decided that consideration should be given by the Council of Foreign Ministers to arrangements of this character for the Danube, the Rhine, and the Kiel Canal, in the course of the preparation of the Treaties of Peace with enemy States.

No. 760

840.811/7-2945

The Chief of the Division of Central European Affairs (Riddleberger) to the Secretary of State

[BABELSBERG,] July 31, 1945.

MEMORANDUM FOR THE SECRETARY OF STATE

Subject: Inland Waterways.

Attached are copies of the American and British proposals presented at the Sub-Committee meeting on Inland Waterways on July 27 2 together with a copy of my memorandum of July 29 3 on the outcome of that meeting. The American and British proposals have been mimeographed for circulation in case you desire to circulate them at the meeting of the Foreign Ministers tomorrow. There is also attached a copy of the President’s original proposal of July 23 4 on this subject.

From the discussions which we have had in the Sub-Committee, I very much doubt if the Soviet Delegation will agree to any mention of the Straits. With respect to the Kiel Canal, this waterway lies entirely within German territory and will therefore be technically subject to decisions of the Control Council for Germany. I therefore would suggest that if anything is to be accomplished on this subject at this Conference we should press the Soviet Foreign Minister to agree to the establishment of interim agencies for the Rhine and Danube and to drop the question of the Straits and question of the Kiel Canal if it looks as if we could obtain an agreement on the Rhine and Danube Commissions.

1 Printed from an unsigned carbon copy.
2 Documents Nos. 758 and 759, respectively.
3 Ante, p. 453.
4 Document No. 755.

EDITOR’S NOTE.—For the final Conference text on this subject, as included in the Protocol, see post, page 1497.
AUSTRIA

EXTENSION OF THE AUTHORITY OF THE RENNER GOVERNMENT

No. 761

740.00119 Control (Austria)/7-245

The Acting Secretary of State to the Secretary of State

TOP SECRET

WASHINGTON, July 17, 1945.

MEMORANDUM FOR THE SECRETARY OF STATE

Charles of Hapsburg requested the Ambassador in Paris\(^2\) to accept the enclosed sealed letter for transmission to the President. When the Ambassador raised a question as to whether the President was prepared to receive such communications Charles stated that a similar message had been sent from Brussels and that a reply had been delivered to his brother the Archduke Felix.

In accordance with the instructions of President Roosevelt the State Department had authorized certain missions to transmit sealed material to President Roosevelt. Does the President wish this practice continued?

JOSEPH C. GREW

[Enclosure]

The Archduke Otto of Austria to President Truman

JULY 2, 1945.

DEAR MR. PRESIDENT, In view of the impending international decisions I take the liberty to write to you on the Austrian situation. I believe that I can do so as I am in daily contact not only with the former Austrian Resistance Movement, but also with the majority political parties and local administrations.

The situation after two months of liberation is certainly not as it should be. Divided into four zones of occupation, the living body

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\(^1\) The original bears the following manuscript notation by Truman: “Officially referred to Sec of State HST”.

\(^2\) Jefferson Caffery.

\(^3\) The original bears the following manuscript notation by Truman: “Referred to Mr. Byrnes Sec. State 7/28/45 Harry S Truman”. An acknowledgment was made by Byrnes on August 20 (file No. 740.00119 Control (Austria)/7–245).
of the Austrian State is cut to pieces. There is no overall economic and no overall political planning. The economic situation is almost desperate. The Allied troops of occupation, despite orders, are living on the country. The Provincial Administrations are receiving no authority—with the exception of the one in the French occupational zone—and have thus no means to fight the spreading doom. Owing to the inactivity of the Allied military authorities there is no harvesting, the factories do no longer run. There is general unemployment. Inflation is spreading. All this will lead to an unprecedented catastrophe in a few weeks. In the Russian zone the Russian troops of occupation have carried away the complete industrial equipment and are looting systematically the private dwellings.

To top the economic difficulties the Americans and British have issued a policy of non-fraternisation, in contrast to the French. This policy of non-fraternisation, which creates a feeling that the Allies are treating the Austrians as if they were Germans, is considered by the Austrians as a grave injustice. To this are added general interdictions to travel or to ship goods, suppression of the mails, the telephone and the telegraph, general abuses in the requisition and a curfew for the population, all things justified in conquered aggressor countries, but not for liberated friends. We were the first country to fight the Germans, and if we collapsed in 1938 it was because we were hopelessly outnumbered and abandoned by the Western Powers. Our Resistance Movement was as strong, considering the situation, as in other countries.

The political freedom has not been re-established. We have no free press and no means of creating a healthy democratic public life.

The Russians have been sponsoring a communist-dominated regime of their own in Vienna. There have been rumours that the Allies will eventually recognize this communist regime, the so-called “provisional Government”. I can assure you that the overwhelming majority of the Austrians would refuse to accept such a Government, because they do not want the elections controlled by the Austrian Communists, who avowedly strive for dictatorship and would do anything to impair the honesty of the elections. They furthermore will not accept to be ruled by the communist party.

This is the situation. May I take the liberty to suggest a few measures that ought to be taken in order to bring Austria again to a life of freedom and to do justice to the Austrian people.

1) Authorization of the establishment of strong Governments in each of the Provinces, who can act under their own responsibility. (These Provinces are: Tyrol, Vorarlberg, Salzburg, Kaernten, Oberoesterreich and Steiermark. This does not include Niederoesterreich, Burgenland and Vienna, who are under Russian occupation).
2) Liberty for the Austrian Governments of the Provinces to communicate with each other and to come to understandings on common matters.

3) Assurance that the self-styled provisional Government of Vienna, presided by Dr. Renner, will not be recognized by the Allies.

4) Abolishment of the policy of non-fraternisation by the American and British forces.

5) Authorization of the establishment of a free press.

6) Stoppage of the present inflation through a united plan for the whole Austrian area.

7) Inclusion of Austria in the general Allied relief program.

8) Liberty for the Governments of the Austrian Provinces to deport German citizens who are at this time a major scourge for the country.

I am certain, Mr. President, that these measures would permit a rapid consolidation inside Austria. They would give Austria the start it needs to rise from its ruins. On the other hand, a continuation of the present policy will lead the country to anarchy.

Knowing your generous sympathies for my country, I am bringing these problems before you because I am convinced that in pursuance of the great policy of America with regards to Austria you will order that my country be started as soon as possible on the way to consolidation and freedom.

Wishing you the blessings of the Almighty in these days when one of the greatest responsibilities in human history will lie on your shoulders, I am [etc.]

OTTO OF AUSTRIA

No. 762

740.00119 Control (Austria)/7-745 : Telegram

The Acting Secretary of State to the Political Adviser for Austrian Affairs (Erhardt)

SECRET

WASHINGTON, July 21, 1945—1 p.m.

36. Dept notes with interest Brit political directive regarding Austrian Govt in Caserta’s 2884 July 7 to Dept repeated to you. While no corresponding directive has been issued by this Govt, Depts instruction 42 July 16 airmailed for your background information copy of a Departmental memo on question of recognition of an Austrian Govt satisfactory to Allied Govts. This memo was prepared for current meeting of heads of state and is not to be communicated as such to reps of other Govts. Its approach is different from Brit directive in that it recommends that as soon as Allied Com-

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1 Not printed. Cf. document No. 272, printed in vol. i.

2 Not printed.

3 See vol. i, document No. 268.
mission is established and our reps are in position to consider the situation on the spot we give prompt consideration to recognition of Renner Govt, with any cabinet changes that may then appear appropriate, as a provisional Govt of Austria pending election and establishment of a representative Govt through democratic processes.

Grew
H[enry] P L[everich]

No. 763

740.00119 Control (Austria)/7-2745: Telegram

The Ambassador in Italy (Kirk) to the Acting Secretary of State

SECRET

Caserta, July 27, 1945—1 p. m.

3074. Message from British Delegate Potsdam to McCreery, CG (Commanding General) Eighth Army, stated that at meeting July 24 Stalin raised question recognition Renner Govt’s authority in British zone Austria. Churchill replied he considered this was one of first things to be tackled when Allies established in Berlin [Vienna?] and added that in principle it desirable work through single Austrian administration and that British wanted disturb local administrative arrangements little as possible.¹

Kirk

¹ Cf. ante, p. 368.

No. 764

740.00119 Control (Austria)/7-3045: Telegram

The Ambassador in Italy (Kirk) to the Acting Secretary of State

SECRET

Caserta, July 30, 1945—midnight.

3125. Report from Gen. McCreery on political situation in Styria states Machold was informed of British wishes on July 24, immediately offered his resignation, agreed to form new Provisional Govt and undertook that it would not enter into relations of any sort with Renner Govt. Machold said he knew and admired Renner, found British Govt’s attitude natural, and had always maintained no central Austrian Govt could last or exercise real authority unless it enjoyed confidence of all four occupying powers. Machold also indicated that in his new govt he would reduce Communist representation as much as possible. Present equality between Social Democrats, People’s Party and Communists had been imposed by Russians. Machold was extremely friendly and created favorable impression.
Other members of Provisional Govt duly offered collective resignation upon explanation of British policy.

In Carinthia parallel with above development, Dr. Piesch was asked to reform his Consultative Committee [as?] Provisional Govt of Carinthia. Provisional Govt formed on July 25 and consists of 4 Social Democrats, 3 People's Party, 1 Carinthian Slovene (Dr. Tischler) and 1 Communist.

Kirk

Editor's Note.—For the final Conference texts on this subject, as included in the Protocol and Communiqué, see post, pages 1490, 1507. For draft texts on this subject, see documents Nos. 1427 and 1428.

REPARATIONS

No. 765

Pauley Files

British Text of a Draft Report by the Economic Subcommittee

[Excerpts *]

Draft Report of the Economic Sub-Committee of the Foreign Secretaries on the Subject of the Liability to Reparations of Italy and Austria

The Sub-Committee have regarded it as outside their competence to discuss the question whether reparations should or should not be exacted from Italy and Austria on political grounds. From the economic point of view, the Committee makes the following report.

The Sub-Committee consider that in order to avoid overloading Austria's capacity for production and the entrance of Austria into the economic activity of the world, it would be necessary to make a careful calculation of the reparations to be exacted from Austria and to determine the reparations to be exacted for the next five years. The Committee recommend that the maximum amount of the reparations to be exacted from Austria should not exceed the amount of reparations exacted from Italy.

2. The Committee recommend that consideration should be given to the question whether, and to what extent, Austria should make once-for-all deliveries of capital goods. The Committee are of the view

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1 Printed from the ribbon copy, which bears only typed initials.
2 For the section of this draft dealing with Italy, see document No. 1097.
3 i. e., the considerations mentioned in the section dealing with Italy. See document No. 1097.

[No. 765]
that decisions as regards once-for-all deliveries should be left over for
later settlement until actual conditions in Austria can be stated and
form the subject of agreed conclusions.

The Sub-Committee point out that from the economic point of
view, once-for-all removals under the heading of war booty have the
same effect as removals under the heading of reparations.

S. D. W[aley]


No. 766

740.00119 (Potsdam)/7-3145

Report by the Economic Subcommittee

[Extracts 1]

TOP SECRET [BABELSBERG, July 24, 1945.2]

SECOND REPORT OF THE ECONOMIC SUB-COMMITTEE TO THE FOREIGN
MINISTERS

1. The Economic Sub-Committee regrets to have to report that
after extensive discussions of the problems of German, Austrian, and
Italian reparations, it has failed to come to agreement and conse-
quently must refer these matters back to the Foreign Ministers for
decision.

2. The Sub-Committee has recognized the liability of Germany,
Austria, and Italy to exactions on account of reparation.

3. . . . . . . .

4. The Soviet representatives believe Austria capable of delivering
the equivalent of $250,000,000 in kind over six years, and Italy the
equivalent of $600,000,000, particularly as Italy and Austria will no
longer have their former military expenditures.3 The British and
American representatives, on the other hand, point out that both
Austria and Italy will require aid from abroad for some time to come,
that the U. K., U. S. and Canada have already supplied more than
$500,000,000 of goods to Italy to prevent disease and unrest, and that
any reparations deliveries from these countries would in fact be
financed by the nations supplying such goods. They are thus unable to
agree to the imposition of any reparation levies on the current produc-

1 For the other sections of this report, see documents Nos. 923 and 1322.
2 See dated in the "Index of Attachments to Summary of the Negotiations in the
Economic Sub-Committee" (file No. 740.00119 (Potsdam)/7-3145).
3 A variant version of this document (file No. 740.00119 (Potsdam)/7-3145)
identical with this paper in other respects, has the following final clause in this
sentence: "particularly as in the case of Italy she will no longer have her former
military expenditures."
tion of Austria and Italy. They would be prepared to consider the possibility of certain once-for-all removals of machinery and equipment from direct war industries having no peace-time utility.

No. 767

Pauley Files

*United States Delegation Working Paper*¹

[BABELSBERG,] July 24, 1945.

U. S. POSITION ON REMOVALS FROM AUSTRIA

Removals of property from Austria, whether as war booty, reparations, restitution, exports, or otherwise shall be limited to the following:

(1) All finished war material, not including equipment used to produce war material. What constitutes war material shall be defined by the Control Council for Austria.

(2) Such equipment especially adapted to the production of war material as may be approved by the Control Council.

(3) Stocks of goods and current production during the period of six years from July 1, 1945, to the extent approved by the Control Council. The Control Council shall be guided by the principle that the necessary means must be provided for payment of imports before reparation deliveries are made from stocks of goods or current production.

(4) Restitutions of identifiable art, religious, historical educational or cultural objects and such other property as may be approved by the Control Council.

(5) Exports which are paid for in currencies acceptable to the Control Council.

¹ This paper bears the drafting initials “JD” [Josiah DuBois?].

No. 768

Pauley Files

*United States Delegation Working Paper*¹

[BABELSBERG,] July 24, 1945.

U. S. POSITION ON REMOVALS FROM AUSTRIA

Removals of property from Austria, whether as war booty, reparations, restitution, exports, or otherwise shall be limited to the following:

(1) Finished war material, not including equipment used to produce war material.

¹ Authorship not indicated.
(2) Such equipment especially adapted to the production of arms, ammunition, and implements of war, as may be approved by the Control Council.

(3) Restitution of identifiable art, religious, historical, educational or cultural objects, and such other identifiable property as may be approved by the Control Council.

(4) Exports which are paid for in currencies acceptable to the Control Council.[1]

No. 769

Truman Papers

Proposal by the Soviet Delegation

[Translation]

[BAEBLSBERG, July 24, 1945.2]

REGARDING REPARATIONS FROM AUSTRIA

(1) To establish the general sum of reparations from Austria of $250,000,000, to be liquidated in equal parts during six years commencing with July 1, 1945.

(2) To exact reparations generally in the form of deliveries of products of Austrian industry.

(3) Reparations to be exacted to compensate for losses caused by the war to the Soviet Union, Great Britain, the United States of America, Yugoslavia.

[1 Enclosure 1 to the Rapporteur’s report of the Ninth Meeting of the Foreign Ministers, July 27. See ante, p. 447. This proposal was submitted, however, at the Seventh Meeting of the Foreign Ministers, July 24. See ante, p. 323.

2 Another translation in the Pauley Files is so dated.

No. 770

740.000119 Potsdam/7-3045

Proposal by the British Delegation

[BAEBLSBERG,] July 30, 1945.

AUSTRIAN REPARATIONS

BRITISH PROPOSAL

Reparations will not be exacted from Austria. Removal of plant and equipment and other goods from Austria as war booty or otherwise will, in future, be a matter to be settled by the Control Council.
Proposal by the Soviet Delegation

[Translation]

[BABELSBERG,] July 30, 1945.

REGARDING REPARATIONS FROM ITALY AND AUSTRIA

SOVIET PROPOSAL

1. Italy and Austria must pay reparations in compensation of those losses which they caused the United Nations by their participation in the war on the side of Germany.

2. Reparations shall be paid in the form of immediate removals of equipment from those branches of their economy which are the most important elements of their military potential. Such removals should be concluded during a period of one year.

3. ... The Allied Reparations Commission shall define the amount of reparations from Austria.

4. ... Austria [shall pay reparations] to the Soviet Union and Yugoslavia.

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1 Attachment 15 to the summary of the Tenth Meeting of the Foreign Ministers, July 30. See ante, pp. 484, 499. Molotov had given Byrnes a copy of this proposal at a private meeting immediately preceding the Tenth Meeting of the Foreign Ministers. See ante, p. 482. For the full text, see document No. 1104.

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EDITOR'S NOTE.—For the final Conference text on this subject, as included in the Protocol, see post, page 1490.

[No. 771]
No. 772

London Embassy Files—101 (Austria) Control Machinery

United States Delegation Working Paper ¹

SECRET

[Babelsberg,] 17 July 1945.

DRAFT

MEMORANDUM FOR THE SECRETARY

Subject: Approval of the Two Agreements on Austria.

The four-Power Agreement on control machinery in Austria ⁵ was approved by the European Advisory Commission on July 4 and transmitted to the four governments for their consideration and approval. Similarly the agreement on the zones of occupation in Austria and the administration of the city of Vienna ⁴ was approved by European Advisory Commission on July 9. (The texts of the two agreements are attached).

On July 12 the British representative on the European Advisory Commission ⁶ stated that his Government had approved both agreements. The French representative ⁶ stated that his Government approved the agreement of July 4 and would shortly approve the agreement of July 9.

Since April the American Government has been pressing for the conclusion of these two agreements. The Zones Agreement comes into force as soon as it is approved by the four Governments and the control machinery agreements [sic] comes into force at the same time, provided it too has been approved by the four governments.

The two agreements conform in every respect to the instructions which were despatched to Ambassador Winant in the course of the negotiations. In view of our interest in expediting the establishment of Allied control and occupation in Austria I suggest that you will wish to approve the attached telegram ⁷ instructing Ambassador Winant to inform the representatives of the other three Governments

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¹ Prepared for Dunn’s signature. It seems probable that the final text of this memorandum (not found) was similar in form to document No. 1033 and was the paper signed by Truman on July 20. See ante, p. 176.
² So dated in a manuscript notation.
³ Document No. 282, printed in vol. 1.
⁴ Treaties and Other International Acts Series No. 1600; 61 Stat. (3) 2679.
⁵ Sir Ronald J. Campbell.
⁶ René Massigli.
⁷ Not attached. See document No. 776.
of American approval of the two agreements. I have consulted Mr. McCloy who concurs in this recommendation on behalf of the War Department.

No. 773

Department of the Army Files: Telegram

The Supreme Allied Commander, Mediterranean (Alexander) to the Combined Chiefs of Staff

[Paraphrase]

TOP SECRET

URGENT

NAF 1042, FX 24640. Cite FhGct. Sent to the Special Signals Office of the Air Ministry for the British Chiefs of Staff, and to the Adjutant General, War Department, for the Combined Chiefs of Staff. Repeated for information to the Berlin Conference for the personal attention of Field Marshal Alexander.

There follows an outline, for your information, of a report which the Commanding General of the Eighth Army, General McCreery, has made concerning contacts of recent date with Soviet officers.

On July 16, 1945, Eighth Army representatives,\(^1\) accompanied by representatives of France and the United States,\(^2\) held two meetings in Vienna with the Soviet authorities. The British, French, and United States parties left Vienna the following day.

The Soviet authorities refused to discuss such questions as civilian supplies, railways, roads, and signal communications, despite the fact that Marshal Konev, in writing to McCreery, had agreed to hold the meeting and had stated his belief that the meeting could settle many questions. The reaction of the Allied representatives to the uncooperative Soviet attitude forced the referral of the matter by the Soviet representative to Konev, who agreed that a quadripartite discussion, by specialist officers, should take place at once concerning these questions.

The meeting then made good progress on most of the abovementioned subjects. Guarantees were received for telegraph and telephone facilities both (a) between Vienna and the occupation zones and (b) within the city itself. The meeting reached agreement on establishing combined signals and railways boards, which will not

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\(^1\) Received by the United States Delegation to the Berlin Conference on July 19 as a retransmission from the War Department. This message was signed with Alexander's name although Alexander himself was at the Conference.

\(^2\) The ranking British representative was Major-General John Winterton.

\(^3\) Brigadier General Paul-Raymond-Philippe Cherrière and Major General Alfred M. Gruenther, respectively.

Caserta, 18 July 1945.
function, of course, until we have reached agreement on moving advance parties into Vienna. Agreement was also reached on road communications.

The Soviet authorities claimed that, since the European Advisory Commission agreements have not been approved at the governmental level, they lacked authorization from Moscow to reach any decisions to implement those agreements. Therefore they could not discuss the movement into Vienna of advance parties of the three Allies or the occupation of Styria on the part of the Eighth Army. Unless steps are taken at the highest level to ensure that Moscow sends the necessary instructions to Konev, it is clearly possible for the Soviet authorities to continue to block any move into Styria or Vienna. Our belief is that we can accomplish nothing more through local contacts. We approached the Soviet authorities on July 1 with respect to the occupation of Styria, and we believe that it would be undesirable to run the risk of a third rebuff on the part of the local Soviet commander.

The Chief of Staff to Konev stated that the Marshal would extend invitations to the three Allied commanders for staff meetings, to be followed by a meeting of the commanders, as soon as he had received instructions from Moscow.

ALEXANDER

4 Army General Ivan Efimovich Petrov.

No. 774

740.001B Control (Austria)/7-1945: Telegram

The Political Adviser for Austrian Affairs (Erhardt) to the Acting Secretary of State

SECRET

VERONA, July 19, 1945—2 p. m.

US URGENT

118. Dept should see telegram to AGWar for JCS signed Clark sent 1250 o'clock July 18. Jcs [Sas] 634 reporting on visit of Gruenther Winterton and Cherrière to Vienna July 16 to 17. Upshot is that Petrov, Chief of Staff for Koniev[,] met with Allied representatives in cordial atmosphere but explained that EAC agreements have not yet been ratified and that it would be impossible for reconnaissance detachments to enter Vienna until specific instructions were received

1 The gist of this message was included in telegram No. 80 of July 20 from Grew to Byrnes (file No. 800.00 Summaries/7-2045).

2 Not printed.
from Moscow. One technical discussion was held dealing with communications et cetera. When question of food supply for Vienna was raised, Petrov replied it was [too] complicated to discuss at present. In a specialists meeting a Russian [staff officer stated that it would probably be necessary to pool Austrian 3] food resources in order provide for Vienna, and also that under surrender terms no food was to be brought in for Austrians. Gruenther [and] Winterton consider reasonable progress was made. Cherrière displeased by Soviet obstructionism. Petrov told Allied representatives they will be invited to another meeting as soon as EAC agreements are ratified and all matters will then be settled to their satisfaction.

I am keeping in contact with British Political adviser 4 while awaiting entry into Vienna.

Rptd to Moscow as 11.

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3 The words in brackets have been supplied from telegram Sgs 634 (Department of the Army Files) to clarify an omission at this point in the message here printed.
4 William H. B. Mack.

No. 775

740.00119 Control Austria/7-1945: Telegram

The Acting Secretary of State to the Secretary of State

SECRET [WASHINGTON,] July 19 [1945.]

U.S. URGENT

60. State-War-Navy Coordinating Committee has informed Dept that draft American-Soviet-British-French agreements on control machinery SWNCC 30/3 1 and zones of occupation in Austria and administration of the city of Vienna and covering report SWNCC 25/8 as recommended by EAC have been approved by State War and Navy Departments and JCS.

Texts were carried to Berlin by Riddleberger.

Please inform the President and, if he approves, authorize Ambassador Winant to sign agreements on behalf of the United States.

Sent to London and Florence for their information.

[GREW]

1 The SWNCC papers are not printed as such. For the text of the agreement on control machinery, see vol. 1, document No. 282. For the text of the agreement on zones of occupation, see Treaties and Other International Acts Series No. 1600; 61 Stat. (3) 2679.
No. 776

740.00119 Control (Austria)/7-2045 : Telegram

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

TOP SECRET

BABELSBERG, July 20, 1945.

VICTORY 143. Action AmEmbassy London, information Department of State Washington, D. C. AFHQ Caserta, Italy please pass USPolAd Florence, Italy.

The President has approved the draft agreements on control machinery in Austria and Zones of Occupation in Austria as recommended by the EAC. You are authorized to sign these agreements on behalf of the US Government and to notify the EAC of their approval by the US Government.

1 The agreements had already been signed ad referendum. Their approval was discussed at the Fourth Plenary Meeting, July 20. See ante, p. 176. Notification of approval by the United States Government was given on July 24.

No. 777

740.00119 Control (Austria)/7-2045 : Telegram

The Ambassador in Italy (Kirk) to the Acting Secretary of State

SECRET

CASERTA, July 20, 1945—10 a. m.

2999. Our 2987 July 19.2

McCreery has reported following items of interest.

Meeting took place in British sector (District 13) where missions also quartered. No signs seen of any Russian preparations to evacuate this zone. French continue to be treated as “poor relations”. Although General Cherrière was finally permitted to accompany Americans on tour of city he was not permitted to visit French sector. Russian air staff officer told Russian chief of staff in presence of allied missions that “we have plenty of air fields and can easily spare two”. Soviet garrison in Vienna will equal size of British and United States contingents; amounts at present to one division. Soviet Political adviser called Kissilev attended both meetings. Showed some knowledge of control machinery and English is excellent.

Russians still removing machinery; agricultural machinery seen on railway sidings. Modern coaxial cable installed by Germans for relaying broadcasts and television being removed.

General aspect of Vienna better than at time of Winterton’s previous visit (see our 2571, June 112). Some clearing up done and

1 The gist of this message was included in telegram No. 90 of July 21 from Grew to Byrnes (file No. 800.00 Summaries/7-2145).

2 Not printed.
number of shops open. Syrian [Styrian] people showed signs of pleasure at passage of British Mission.

General impression gained by Winterton that Russian staff is friendly and cooperative but that they do not know picture in Moscow and do not know terms or [of] agreements re Austria. Therefore they do not dare engage in discussion which might reveal this ignorance. Several times Soviet Chief of Staff General of Army Petrov apologized to Winterton for attitude he felt compelled to adopt. "The important thing is that we have met and like one another" Petrov said.

Kirk

No. 778

740.00119 Control (Austria)/7-2045: Telegram

The Ambassador in Italy (Kirk) to the Acting Secretary of State 1

SECRET Caserta, July 20, 1945—11 a.m.

3000. General McCreery reports that during Winterton’s visit to (re our 2987, July 19) 2 Vienna effort was made to discover Russian attitude toward British provision of supplies for civil population in British sector of city. He states he thought Russians might make entry into Vienna dependent on such provisioning.

Russian view is that at present Vienna is adequately fed from supplies provided by Red Army. Kissilev made this point at meeting of C/S. During separate detailed discussions with General Leluk chief supply officer central group of armies following points made:

1. Austria to be treated as one economic whole.
2. All resources of country to be pooled for internal use.
3. Uniform scale of rations should be established for whole country and distribution of pooled resources should be controlled by AC.
4. AC should also direct disposal of national surplus and making good of national deficiencies by barter with other countries.

It was made clear that in accordance with terms of instrument of surrender armies of occupation must have first claim on resources of country. It is pointed out that as long as this attitude is maintained and Austria is regarded as an ex-enemy country it is evident that surplus production of Russian zone on which rest of Austria must depend economically will not enter pool and sound economic basis for future will not be established. Therefore, in General McCreery’s opinion practical result will be that British will have to provide for civilians in their zone.

1 The gist of this message was included in telegram No. 106 of July 23 from Grew to Byrnes (file No. 800.00 Summaries/7-2345).
2 Not printed.

[No. 778]

307524—61—vol. 2—54
To meet such a need there is available only 4000 tons wheat on allocations from CCAC which would give 300 gram bread ration British sector for one month, supply to be continued as long as CCAC approves bids and if supplies are received in time. Eighth Army cannot provide any other supplies or any fuel for public utilities. McCreery requests guidance of War Office in case the situation he envisages should arise.

Kirk

No. 779

740.00119 Control (Austria)/7-2945 : Telegram
The Ambassador in Italy (Kirk) to the Acting Secretary of State

SECRET

CASERTA, July 22, 1945—3 p.m.

3022-bis. JCS Berlin have indicated based on experience there (reference our 3000 of July 20) desirability of obtaining quadripartite agreement prior to US occupation of sector in Vienna although not as a condition for such occupation on full and proportionate utilization of Austrian food supply to feed city's population. It is pointed out that we should not repeat in Vienna if it can be avoided interim arrangement now on in Berlin where each sector commander is responsible for feeding sector without being able to draw on resources from other Allied zones normally feeding city. Desirability is suggested of having from beginning a quadripartite procurement agency responsible for allocating Austrian resources to fulfill Vienna's needs.

Kirk

1 The gist of this message was included in telegram No. 106 of July 23 from Grew to Byrnes (file No. 800.00 Summaries/7-2345).

2 Document No. 778.

3 See vol. 1, document No. 433.

No. 780

740.00119 Control (Austria)/7-2945 : Telegram
The Political Adviser for Austrian Affairs (Erhardt) to the Acting Secretary of State

SECRET

VERONA, July 23, 1945—2 p.m.

126. July 21 Koniev sent letter to United States, British, and French commanders stating he had been instructed facilitate occupation of various sectors Vienna by our forces. Gruenther, Winterton

1 The gist of this message was included in telegram No. 126 of July 25 from Grew to Byrnes (file No. 800.00 Summaries/7-2545).
and Cherrière invited to Vienna meeting 1 p. m., July 24, to settle problems discussed at July 16 conference re taking over and they have accepted. US reconnaissance party moving to Vienna July 22 and July 24.

Soviet began evacuating Styria July 22 but were not quite ready to move into Upper Austria north of Danube. Soviet Genl who went to Linz for preliminary arrangements was reported as most cooperative. ERHARDT

No. 781

740.00119 Control (Austria)/7-2545 : Telegram

The Ambassador in Italy (Kirk) to the Acting Secretary of State

SECRET

CASERTA, July 25, 1945—10 p. m.

3057. Msg (Message) from Potsdam to Chief of Staff AFHQ ¹ (Allied Force Headquarters) advises that Stalin announced at session July 24 ² that Marshal Koniev (reference our 3000, July 20 ³) would continue to provide food for whole of Vienna until an alternative arrangement can be agreed with British and Americans. In view of above Field Marshal Alexander directed that Commander Eighth Army assume military government and occupational responsibilities for British sector of Vienna as previously arranged. British Chiefs of Staff have assumed Americans will do likewise.

Kirk

¹ Lieutenant-General W. D. Morgan.
² See ante, p. 308.
³ Document No. 778.

No. 782

863.50187-2745 : Telegram

Headquarters, United States Forces Austria, to the Joint Chiefs of Staff


URGENT

From Austria from OpDiv for General Hull only from USFA to TERMINAL for JCS for action and for info to TERMINAL for Hilldring, USGCC Germany for Clay for Hilldring, AGWar for Handy War pls pass to TERMINAL, USFET for Adcock AFHQ ref nr Sgs 687.

1. This message deals with food situation in Austria with particular reference to Vienna as developed in the deputy commanders conference (Generals Winterton, Cherrière, Gruenther) with General Petrov in Vienna on 24, 25, 26 July.

[No. 782]
2. The political implications of the food supply of Vienna are such that the Soviet officials were extremely reluctant to discuss the subject stating it is a matter to be settled only by the Allied Council for Austria. They did, however, make following points:

(a) They are providing food for city bulk of which they claim has to be imported by Red Army from outside Austria. Soviets state that food yield in Nieder donau which previously furnished considerable portion of Vienna needs has been reduced to 40 percent of normal because of military actions thereby providing no surplus for Vienna. Russians claim they have brought 45,000 head of cattle into Austria for food and dairy purposes.

(b) Soviets will continue to feed Vienna until Allied Commission for Austria is organized. Political advisor stated that Russians have already turned sufficient food stockpile to last until 15 September but Soviet food expert in Office of City Commandant estimates food will last only until 1st September.

(c) The components of the Vienna ration for normal consumers provides about 1,050 calories.

3. Soviets frequently made the point in conferences that as long as their food is being distributed to the population in Vienna they will insist on supervision of distribution in all districts, although they were usually careful to add, “unless procedure is changed by Allied Council.” We are not sure of the implications involved in the supervision of distribution but we shall know more in a few days since our officers have moved into all Bezirks in our zone today. They will work in the office of the Russian Bezirk commander in order to become familiar with his duties. On July 28th the members of the Allied Kommandatura will meet and their specialists will work together for familiarization purposes. No date of takeover of national zones in Vienna has been designated.

4. From conferences with Soviets it is evident that no quadripartite procurement agency can be formed prior to establishment of Allied Commission. It is also clear that while exchange of food supplies between zones may accomplish better distribution the net food position will show a deficiency requiring considerable food imports.

5. Through most cooperative action by G-5 Section USFET sufficient food is now being stockpiled at Linz to meet food needs of US and French zones Vienna for month of August based upon 1,500 calory ration for normal consumers. Request for allocation of food for requirements of US and French zones Vienna for September, October, November was submitted to CCAC within past few days by USFET in supplement to MEL airgram number 65 dated 12 July 1945. In normal procedure receipt of food against this allocation if approved cannot be expected for at least 135 days.

1 Not printed.
6. In order to insure a continuous supply of food for the US and French zones of Vienna following assumption of command by US and French authorities it is requested that USFET and/or AFHQ be instructed to make available US and French Vienna requirements for September, October and November from stocks now on hand replacement to be made later from stocks received against Vienna allocation for that period. Request similar instructions be given regarding food for September, October and November requirements for the US and French zones of Austria excluding Vienna as covered in MEL airgram number 65 in order to insure uninterrupted supply to these areas.

7. Clarification is requested as to USFA responsibility for civil supplies for the French occupied zone in Austria including Vienna. We have not advised French that we are attempting to secure food for their zone nor shall we do so until JCS policy on that point is indicated.

8. This Headquarters concurs in proposed method of placing Austrian supply requirements as outlined by Hilldring in his message V[ictory]-259 CRAB.²

² Not printed.

No. 783

740.00119 (Potsdam)/7-2745

Memorandum by the Political Adviser to the Representative on the European Advisory Commission (Mosely)¹

[BABELSBERG, July 27, 1945.]

During the course of the Conference the three Heads of Governments considered and approved the Agreement on Zones of Occupation in Austria and the Administration of the City of Vienna and the Agreement on Control Machinery in Austria, recommended by the European Advisory Commission. Upon approval by the three Governments and the Provisional Government of the French Republic, it was decided to place in effect at once the two Agreements which provide, in the spirit of the Moscow Declaration of November 1, 1943,² on Austria, for Allied occupation and control of Austria.

It is contemplated that a joint statement will be issued shortly regarding the arrangements which have been entered into for the purpose of carrying out the declared policy of establishing a free and independent Austria.

¹ This paper bears the following manuscript notation by Mosely: "PEM[osely] draft July 27, 1945, for inclusion in Conference Communiqué." Cf. document No. 784.
No. 784

United States Delegation Working Paper

[BABELSBERG, July 27, 1945.]

AUSTRIA

During the course of the Conference the Agreement on Zones of Occupation in Austria and the Administration of the City of Vienna, and the Agreement on Control Machinery in Austria, recommended by the European Advisory Commission, were considered and approved. The two Agreements have likewise been approved by the Provisional Government of the French Republic. It has therefore been decided to place in effect at once the two Agreements which provide for Allied occupation and control of Austria.

A joint statement of the arrangements which have been entered into for these purposes and for the purpose of carrying out the declared intention of establishing a free and independent Austria in accordance with the Moscow Declaration of November 1, 1943, will be issued by the four governments on _________, 1945.

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1 This paper (unsigned, but presumably drafted by Mosely) bears the following manuscript notation by Mosely: "Revised draft, July 27, 1945." Cf. document No. 783.

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No. 785

The Political Adviser to the Representative on the European Advisory Commission (Mosely) to the Ambassador in the United Kingdom (Winant)

SECRET


VICTORY 373. To American Embassy London, repeated to Department of State, Washington from Mosely.

French approval EAC (European Advisory Commission) agreement of control machinery in Austria noted. Have French approved agreement on zones of occupation Austria? Has EAC completed preparation agreed texts of joint statements on (1) zones of occupation (2) control machinery (3) consultation with governments of other United Nations? If three summaries are ready, have they received approval of the four governments? We assume exact texts do not require reference to United States, United Kingdom, and French Governments, but Soviet EAC delegation may wish refer

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1 Sent over the signature of Byrnes.
exact texts. If this supposition is true it might save time to refer
exact texts to Potsdam to expedite Soviet clearance.

Has EAC discussed a date for issuance of three joint statements in
four capitals? Conference communiqué should contain reference to
the two Austrian agreements and to intended four power statement
which should be issued very shortly after issuance communiqué.

Please inform urgently status these agreed joint statements.

No. 786

740.00119 EAC/7-2745 : Telegram

The Ambassador in the United Kingdom (Winant) to the Political
Adviser to the Representative on the European Advisory Commission
(Mosely) 1

SECRET

LONDON, July 27, 1945—8 p. m.

French representative 2 in letter July 16 informed me his govern-
ment's approval agreement on zones occupation Austria and its
covering report as reported my telegram to Dept 7205 July 17, 3
repeated AusPolAd as 24 and Frankfurt for Murphy and Mosely as 40.

EAC (European Advisory Committee) this evening approved
texts summaries of agreements on zones occupation and control
machinery Austria and agreed present them next Tuesday to repres-
entatives other Allied governments including representative new
Polish Government. Summary of control machinery agreement is
brief and contains no mention names of MG (Military Government)
divisions.

Sent Babelsberg for Mosely Secret from Winant and to Dept
July 27, COMEA 344.

US, UK and French representatives are ready to recommend
that these summaries together with statement on consultation with
other United Nations governments re Austria be published simul-
taneously as joint statements in four capitals. Soviet representative 4
also agrees but must first obtain his government's approval of texts.
At my suggestion to expedite approval US, UK and Soviet repre-
sentatives are transmitting texts these three statements to Potsdam
and French representative transmitting texts to Paris. Publication
date can be arranged upon approval by all four governments.

WINANT

1 Printed from the text received in the Department of State as telegram
No. 7588.
2 René Massigli.
3 Not printed.
4 I. e., Georgy Filippovich Saksin, the Acting Soviet Representative on the
European Advisory Commission.

[No. 786]
No. 787

740.00110 Control (Austria)/7-2845: Telegram

The Political Adviser for Austrian Affairs (Erhardt) to the Acting Secretary of State

SECRET

VERONA, July 28, 1945—3 p. m.

128. Following developments occurred at meeting of 4 deputy commanders in Vienna July 24, 25 and 26.

Use of road, rail and air facilities between US Zone and Vienna was settled satisfactorily but serious difficulty was encountered in allocation of communication facilities. This has not yet been settled. Gruenther, Winterton and Cherrière judge that Soviet objective is to reduce drastically the size of their three headquarters in Vienna. Attitude of Soviet staff was far from generous although personal relations were cordial.

Soviets first pressed for early meeting of Commanders-in-chief but later wanted to defer this until after Potsdam Conference.

Arrangements were made for our military officers to function as observers attached to their opposite numbers in zulbezirks [sic]. US reconnaissance parties in Vienna now total 70 officers and 400 enlisted men. Soviets are facilitating inspection of buildings. Kommandatur [Kommandatur] is scheduled to meet today with specialists working together. Tulln airport is in operation.

Soviets stated bulk of foods for Vienna is being imported since yield in lower Austria is 40% normal. They say they have brought in 45,000 head of cattle. Present basic ration in Vienna 1050 calories. Soviets will continue to feed Vienna until ACC (Allied Control Commission) is organized. Their food expert says present supplies will last until September 1st. As long as they supply the food they will insist on supervising distribution throughout city “unless procedure is changed by Allied Council”. They state food supply problem can be settled only by Allied Council. It is clear that net food position in Austria will show deficiencies requiring considerable imports.

Extensive removals of furniture etc. from our sector are taking place. At Tulln underground fuel shortage [storage] tanks were being removed but after protest this was stopped.

Repeated to Moscow as 12.

Erhardt

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1 The gist of this message was included in telegram No. 157 of July 30 from Grew to Byrnes (file No. 800.00 Summaries/7-3045).

2 A parallel message from Headquarters, United States Forces Austria, to the Joint Chiefs of Staff speaks at this point of “opposite numbers in district and municipal government offices”. 
The Assistant Secretary of State (Dunn) to the Secretary of State

[Undated.]

MEMORANDUM FOR THE SECRETARY OF STATE

Subject: Proposed Joint Statements on Austria.

Attached are three telegrams from London containing texts of three proposed joint statements on Austria for publication in Washington, London, Moscow and Paris, upon approval.

The first statement summarizes the agreement on zones of occupation in Austria, and the second statement summarizes the agreement on control machinery in Austria. The third statement follows the precedent set in the case of the declaration on Germany and announces the intention of the four Governments to consult with Governments of the United Nations in connection with the exercise of Four Power authority in Austria.

These proposed statements are, of course, based upon agreements that have been approved by the United States Government. If you and the President are in agreement I should like to instruct our Embassy in London that the United States Government agrees to the issuance of these statements and to ask Ambassador Winant to have the European Advisory Commission determine the date of simultaneous release of the statements in the four capitals.

JAMES F. BYRNES, July 29, 1945.
Secretary of State

[Attachment 1]

[Editor's Note.—The text contained in this attachment was made public on August 8, 1945. See Department of State Bulletin, volume XIII, pages 221-222.]

[Attachment 2]

[Editor's Note.—The text contained in this attachment was made public on August 8, 1945, with the following modification: The text as published omitted from the primary tasks of the Allied

1 This paper bears the following manuscript notation by Mosely: “Informed J. G. Ward (UK) and Gousev (U. S. S. R.) July 30, of U. S. approval and timing arrangement. Telegram to Mr. Winant, July 30. P. E. Mosely.” See document No. 789.

[No. 788]
Commission for Austria the first of those tasks as stated in the attachment, viz.: "To ensure the enforcement in Austria of the provisions of the declaration regarding the defeat of Germany signed at Berlin on 5 June, 1945". See Department of State Bulletin, volume XIII, page 221.]

[Attachment 3*]

The Ambassador in the United Kingdom (Winant) to the Political Adviser to the Representative on the European Advisory Commission (Mosely)

SECRET


PRIORITY

For Mosely secret from Winant, signed Tindall.

Ref my tel for Mosely July 27 sent Dept as 7588 COMEA 344, following is text proposed joint statement re consultation other Allied Govts for publication four capitals upon four govts approval:

Title: Statement by Govts of US, UK and USSR and Provisional Govt French Republic on consultation with other United Nations Govts.

Begin Text: In a statement issued on June 5, 1945 the Govts of US, UK and USSR and Provisional Govt French Republic announced their intention to consult the Govts of other United Nations in connection with the exercise of supreme authority in respect to Germany assumed by declaration re defeat of Germany signed at Berlin June 5, 1945. The Govts of the four powers hereby announce that it is also their intention to consult the Govts of the United Nations in connection with the exercise of this authority in Austria. End Text.

No. 789

740.00119 EAC7-3045 : Telegram

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

TOP SECRET

BABELSBERG, July 30, 1945.


Re your 65481, July 28, repeated to Department 7606, COMEA
345 ¹ and re your 65482, July 28, repeated to Department as 7607, COMEA 346 ² and re your 281045, July 28.³

United States Government has approved three proposed public statements re zones of occupation in Austria, control machinery in Austria and consultation with governments of other United Nations in exercising four-power authority in Austria. US Government approves simultaneous issuance three joint statements in four capitals at a time to be determined in each. Publication of three joint statements should not precede publication of conference communiqué. Each might agree that three joint statements be issued 24 or 48 hours after publication of conference communiqué.

Mosely has informed Gousev of US approval of three statements and of proposal for their issuance immediately after conference communiqué. Gousev has not yet reported re Soviet clearance of three statements and timing of their publication.

BYRNES

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¹ This message was attachment 1 to document No. 788.
² This message was attachment 2 to document No. 788.
³ Attachment 3 to document No. 788.

EDITOR'S NOTE.—For the final Conference texts with reference to the occupation of Vienna, as included in the Protocol and Communiqué, see post, pages 1490, 1508.

ALLEGED ANTI-SOVIET ACTIVITIES

No. 790

740.00119 Control (Germany)/7-2545

The Secretary of the Soviet Delegation (Novikov) to the Assistant Secretary of State (Dunn)

[Translation]

BERLIN, July 25, 1945.

DEAR MR. DUNN: Under instructions of Peoples' Commissar of Foreign Affairs, V. M. Molotov, I enclose herewith an Aide-Mémoire concerning the activities, which is unfriendly to the Soviet Union, in British, American and French Zones of occupation in Austria and Germany on the part of white-immigrants and other persons and organizations hostile to the U. S. S. R.

I would appreciate it, Mr. Dunn, if you would confirm the receipt of this letter.

Sincerely yours,

K NOVIKOV

[No. 790]
[Enclosure—Translation]

AIDE-MÉMOIRE

The Administration on the Repatriation of Soviet citizens has received information that in the British, American and French zones of occupation in Germany and also in the British and American zones in Austria, activities, having as their purpose to prevent the return to their homeland of Soviet citizens, are being carried on by white-immigrants and other persons and organizations hostile to the U. S. S. R.

On Austrian territory such activities are being carried on in areas occupied by the troops of the 8th British and 5th American Armies. It is stated that in the city of Salzburg under the official name “Engineering-Technical Firm of Karyakin” a committee is actually working and is carrying on this activity directed by a Russian immigrant, Colonel Bobrovi. In the suburbs of Salzburg a committee headed by Slipchenko and Mishchenko is working on the non-return of Ukrainians to their homeland. In the region of Klagenfurt agents of the former Vlasov Corps under the command of Colonel Rogozhin are in action. The general leadership in Austria of the hostile activities vis-à-vis the U. S. S. R. is a “center” in which the well-known white-immigrants, General Kreiter, Engineer Voskresentsev, Ivanov and Lavrov, have entered.¹

The Soviet Government considers it necessary to draw to the attention of the Government of the United States of America and of the British Government the above-mentioned facts.

[BABELSBERG,] July 25, 1945.

¹ For the paragraph of this aide-mémoire relating to Germany, see document No. 1055.

No. 791

740.06119 Control (Germany)7-2945

The Information Officer in the Office of the Secretary of State (Reams) to the Assistant Secretary of State (Dunn) ¹


MR. DUNN: General Hull prefers that this matter be presented to the War Department in Washington. However, if you feel that there is some special need for haste, he is prepared to take it up with General Eisenhower and the War Department from Potsdam.

R. BORDEN REAMS

¹ Printed from a ribbon copy on which there is a typed signature.
The Assistant Secretary of State (Dunn) to the Secretary of the Soviet Delegation (Novikov)


Dear Mr. Novikov: I refer to your note of July 25, 1945 with which you enclosed an aide-mémoire concerning activities in the British, American and French zones of occupation in Germany and Austria considered by you to be unfriendly to the Soviet Union.

I have referred this matter to the appropriate military authorities of the American Government in order that information may be obtained upon which an answer, so far as the American zone is concerned, may be prepared.²

Sincerely yours,

James Clement Dunn

¹ Document No. 790.
² No further reply was made to the Soviet Delegation during the course of the Berlin Conference.
BULGARIA, FINLAND, HUNGARY, AND RUMANIA

GOVERNMENTS, CONTROL COMMISSIONS, ELECTIONS, CONCLUSION OF PEACE TREATIES, AND DIPLOMATIC RELATIONS

Editor’s Note.—Related papers, dealing with broader discussions in which Bulgarian, Finnish, Hungarian, and Rumanian matters were combined with matters affecting other countries, are printed under the following headings: (a) Establishment of a Council of Foreign Ministers and Dissolution of the European Advisory Commission, ante, page 609; (b) United Nations—Admission of Bulgaria, Finland, Hungary, Italy, Rumania, and Spain, ante, page 621; and (c) Implementation of the Yalta Declaration on Liberated Europe, Freedom of the Press in Eastern Europe, ante, page 643.

No. 793

Department of the Army Files: Telegram

The Chief of the Military Representation on the Allied Control Commission for Rumania (Schuyler) to the War Department

TOP SECRET [Bucharest.] 16 July 1945.
PRIORITY

Top secret. M 1240. AFHQ pass to AGWar for War OPD info to ComGenMed, ACC Hungary and ACC Bulgaria from Schuyler Rumania.

In my M–1227 of 13 [14] July, I outlined certain additional rights and privileges which I feel this delegation should be authorized to exercise if we are to be able to carry our full share of duties and responsibilities as US Representatives on the Allied Control Commission for Rumania.

It is earnestly hoped that some definite agreement with respect to these rights and privileges will be arrived at during the course of the Berlin Conference. On the basis of my 8 months experience here and in view of the uncooperative attitude which has been ex-

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1 Sent to the Supreme Allied Commander, Allied Force Headquarters, Caserta, for relay. Received by the United States Delegation to the Berlin Conference on July 17 as a retransmission from the War Department.

2 Document No. 318, printed in vol. 1.

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hibited by the Russians throughout that period, I feel that specific and detailed agreement on the highest levels is absolutely essential to the proper continuance of our work here.

It must be remembered that the Allied Control Commission, as it now operates, is the supreme authority in Rumania; it is a policy making body and an executive agency as well; it exercises complete and autocratic control over all phases of Rumanian national life; hence, even though we may secure certain concessions which result in a broadening of the present Rumanian Government so as to render it more nearly representative of all parties, nevertheless such concessions might and probably would be completely nullified by actions of the Allied Control Commission unless we could assume ourselves a suitable executive role on that body.

For these reasons, the importance of securing for this delegation the minimum additional rights and privileges set forth in my M-1227 cannot be overemphasized.

No. 794

740.00119 Control (Hungary)/7-1645 : Telegram

The Special Assistant to the Director of European Affairs (Reber) to the Director of European Affairs (Matthews) ¹

SECRET

34. For Matthews from Reber.

New "order of procedure" for ACC Hungary in second period set forth in Voroshilov's note to Genl Key ² meets main point of our proposals (Deptels 1168 May 28 ³ and 1391 June 23 ⁴ to Moscow) by providing for tripartite agreement on ACC directives on "principal questions" and tripartite participation in meetings of various ACC subdivisions (Retels 281 ⁵ and 286 ⁶ July 13 from Budapest). Other minor points we proposed are also included, (such as frequent and regular meetings, free movement of our personnel in Hungary, rapid clearances for entry of planes and couriers) but the wording of these clauses is not entirely satisfactory. Reference in clause 2 to mixed commissions is not understood, as this phrase appears neither in existing statutes nor in our suggested revision.

¹ Sent to the Secretary of State at Babelsberg over the signature of Grew.
² See document No. 796.
³ See vol. r, document No. 287, footnote 5.
⁴ Document No. 294, printed in vol. r.
⁵ Document No. 311, printed in vol. r.
⁶ This message transmitted a translation of note No. 428 from Voroshilov to Key. For variant translations of this note, see document No. 796 and the annex to section xii (xi) of document No. 1383.
We believe Soviet note offers real basis for agreement on reorganized ACC. However, since original statutes were negotiated by three Allied Governments, their revision should be result of further negotiation and agreement of all three and not of decision of Soviet Govt alone. If agreement in principle on truly tripartite ACC, which seems possible on basis of Soviet proposals, can be reached at Potsdam, we think detailed working out of statutes might well take place at Moscow after Conference or at Budapest.

Dept is suggesting to Schoenfeld that he and Key send you any further comment they may wish to make after further study of the Soviet note.

No. 795

740.00119 Control (Hungary)/7-1045: Telegram

The Representative in Hungary (Schoenfeld) to the Acting Secretary of State

SECRET

PRIORITY

Budapest, July 16, 1945—6 p. m.


Key tells me meeting of ACC is scheduled for tomorrow night when he expects to seek further clarification of Voroshilov’s note regarding changes in ACC procedure. Key does not intend to commit himself to acceptance of Soviet proposal pending further clarification and possible instructions. He is particularly desirous of securing statement from Voroshilov as to meaning of third paragraph of first section of latter’s note July 11 which seems to make directives of ACC on principal questions dependent on agreement with American and British representatives as proposed in your 57, May 28.

Sent Dept repeated to Moscow as No. 26 and London as No. 7.

SCHOENFELD

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1 The gist of this message was included in telegram No. 43 of July 17 from Grew to Byrnes (file No. 800.00 Summaries/7-1745).
2 Document No. 311, printed in vol. 1.
3 See document No. 794, footnote 6.
4 See vol. 1, document No. 287, footnote 5.
Proposal by the Soviet Delegation ¹

[Translation]

SECRET

TEXT OF A LETTER TRANSMITTED ON JULY 12 TO THE REPRESENTATIVES OF THE U. S. AND U. K. GOVERNMENTS ON THE ALLIED CONTROL COMMISSION IN HUNGARY

In view of the changed situation in connection with the termination of the war against Germany, the Soviet Government finds it necessary to establish the following order of work for the Allied Control Commission in Hungary:

1. During the period up to the conclusion of peace with Hungary the President (or Vice President) of the ACC will regularly call conferences with the British and American representatives for the purpose of discussing the most important questions relating to the work of the ACC. The conferences will be called once in 10 days, or more frequently in case of need.

Directives of the ACC on questions of principle will be issued to the Hungarian authorities by the President of the Allied Control Commission after coordinating these directives with the English and American representatives.

2. The British and American representatives in the ACC will take part in general conferences of heads of divisions and delegates of the ACC, convoked by the President of the ACC, which meetings will be regular in nature. The British and American representatives will also participate personally or through their representatives in appropriate instances in mixed commissions created by the President of the ACC for questions connected with the execution by the ACC of its functions.

3. Free movement by the American and British representatives in the country will be permitted provided that the ACC is previously informed of the time and route of the journeys.

4. All questions connected with permission for the entrance and exit of members of the staff of the British and American representatives in Hungary will be decided on the spot by the President of the ACC within a time limit of not more than one week.

5. The bringing in and sending out by plane of mail, cargoes and diplomatic couriers will be carried out by the British and American representatives on the ACC under arrangements and within time limits established by the ACC, or in special cases by previous coördination with the President of the ACC.

¹ Circulated by the Soviet Delegation at the Berlin Conference, apparently on July 24 (see ante, p. 324) and certainly before July 26 (see document No. 819). It is placed here because of its close connection with document No. 797. Cf. document No. 1383, section xii (xi), and document No. 794, footnote 6. For similar proposals relating to Bulgaria and Rumania, see vol. I, document No. 309, and document No. 797, infra.

[No. 796]
I consider it necessary to add to the above that in all other points the existing Statutes regarding the ACC in Hungary, which was confirmed on January 20, 1945, shall remain in force in the future.

No. 797

The Acting Representative in Rumania (Melbourne) to the Secretary of State

SECRET

Bucharest, July 17, 1945.

No. 410

Subject: Revised Administrative Procedure for the Allied Control Commission in Rumania.

SIR: I have the honor to attach an English translation of a copy of a letter delivered on July 16th to General Schuyler, heading the American representation on the ACC, from the Deputy Chairman of the ACC, Colonel General Susaicov, which announces revisions in the administrative procedure for the ACC in Rumania. In content it appears that the phrasing of these six points is like that announced for the ACCs in Bulgaria¹ and Hungary.²

Both General Schuyler and I agree, after an examination of the points, that virtually every difficulty encountered by the American representation upon the ACC since its beginnings to date could have occurred during that time with the six points in force, if, as has been the case until now, goodwill on the part of the Soviet Executive of the ACC was lacking.

It might be pointed out that repeated promises have been made by the Soviet Executive to hold a conference at least every ten days or two weeks, but when the occasion was deemed unsuitable for such a conference by the Russians, in order to avoid discussion that might be embarrassing, they did not hesitate to postpone it indefinitely. Also the irony of the situation, as set forth in points 2 and 3 of the attached letter, apparently escaped General Susaicov when, at the very time he handed the attached note to General Schuyler, he announced that unilaterally the Russians on the ACC were going to demand of the Rumanian government all nominally German-owned bank stocks in the country, as well as continuing with the unilateral demands upon Rumania for all nominally German-owned oil stocks.

Points 4, 5, and 6, are considered as being virtually no concessions, since point 4, that of freedom of travel, is practically the existing situation; point 5 is almost unnecessary since the present composition

¹ See vol. 1, document No. 309.
² See document No. 796.
of the American and British delegations is considered ample; while point 6 simply describes the existing situation for the receipt and shipment of mail, cargo, and the dispatch of couriers.

Respectfully yours,

ROY M. MELBOURNE

[Enclosure—Translation]

The Deputy Chairman of the Allied Control Commission for Rumania (Susakova) to the Chief of the Military Representation on the Allied Control Commission for Rumania (Schuyler) ³

No. SH–1363  Bucharest, 16 July 1945.

In view of the changed situation resulting from the cessation of hostilities with Germany, the Soviet Government considers it necessary to establish the following working procedure for the Allied Control Commission in Rumania:

1. The Chairman (Deputy Chairman) of the Allied Control Commission will regularly call conferences with the British and American Representatives for discussion of the more important questions concerning the activities of the Allied Control Commission.

A conference will be held every ten days, and, whenever the need arises, more frequently.

2. Directives of the Allied Control Commission on questions of principle will be issued by the Chairman (Deputy Chairman) of the ACC following previous discussion on the directives planned, with the British and American Representatives.

3. British and American Representatives will take part in the general conferences of Chiefs of Sections and Representatives of ACC, on questions of principle, which have been called by the Chairman (Deputy Chairman) of ACC, ⁴ but they may also, either personally or through their Representatives, participate, in the appropriate cases, in mixed commissions set up by the Chairman (Deputy Chairman) of ACC on questions connected with the carrying out of its functions by the Allied Control Commission.

4. The freedom of travel throughout the country is permitted to British and American Representatives provided that the ACC is informed beforehand of the time and route of the trips.

5. The British and American Representatives in ACC have the right to determine the number and composition of their representatives. ⁵

6. Deliveries and shipment by air of mail, cargo and the dispatch of diplomatic couriers of the British and American Representatives in ACC will be made at the time and following the procedure estab-

³ A telegraphic text of this enclosure was received by the United States Delegation at Babelsberg on July 18 as a retransmission from the War Department of telegram No. M 1250 from Schuyler. A variant translation was circulated at the Berlin Conference by the Soviet Delegation.

⁴ The variant translation referred to in footnote 3, supra, has at this point the following additional clause: “which conferences shall take place regularly”.

⁵ In the variant translation referred to in footnote 3, ante, this paragraph ends as follows: “composition of their own missions”.

[No. 797]
lished by the Allied Control Commission, and, in special cases, after previous agreement with the Chairman (Deputy Chairman) of ACC.

To this, we feel, should be added that on all other points, “The Statutes of the ACC in Rumania,”⁶ which 20/9/1944 was communicated to the Governments of the United Kingdom and the United States of America will continue to remain in force.

SUSAICOV

Chief of Staff
Allied Control Commission for Rumania
Lt General
VINOGRADOV

⁶ Not printed.

No. 798

740.00119 Control (Hungary)/7-1345 : Telegram

The Acting Secretary of State to the Representative in Hungary (Schoenfeld)

SECRET
WASHINGTON, July 17, 1945—7 p. m.
US URGENT

197. Your 281 ¹ and 286 ² July 13 have been repeated to Potsdam together with Depts views to the effect that the Russian “order of procedure” appears to cover several of the points we had suggested, notably provision for tripartite agreement on policy directives, but that the language was not entirely satisfactory. While unilateral revision of statutes is of course not in conformity with our position as one of the parties to their original negotiation, we believe Soviet proposals form good basis for tripartite discussion and agreement on revised statutes for second period.

Any further clarification which Key may obtain should be telegraphed Potsdam through military as well as Dept. It is assumed that he will take no action implying acceptance of the Russian revision pending appropriate instructions. (Re your 291 July 16 ³). Meanwhile Dept hopes that political aspect can be worked out at Potsdam along lines of our and Genl Key’s proposals (Deptls 57 May 28 ⁴ and 124 June 23 ⁵) with details to be worked out later in Moscow or Budapest.

GREW
S[amuel] R[eber]

¹ Document No. 311, printed in vol. 1.
² See document No. 794, footnote 6.
³ Document No. 795.
⁴ See vol. 1, document No. 287, footnote 5.
⁵ See vol. 1, document No. 294, footnote 3.
The Representative in Hungary (Schoenfeld) to the Acting Secretary of State

SECRET

BUDAPEST, July 17, 1945—2 p. m.

296. Rákosi has recently returned from Moscow apparently with new instructions and we learn from Foreign Office he obtained diplomatic passport there July 14 possibly to join Soviet delegation at Big Three Meeting.

Signs indicate new instructions include increasing attacks on all bourgeois and non labor elements and attempts at disrupting the organization of their parties by accentuating existing cleavages. My 271, July 10. Mos. is apparently disturbed by growing anti-semitism and fact Communist Party in Hungary is being too closely associated with Jews due to fact four chief leaders are Jewish as are large majority of Communist controlled political police. There is now reported to be party order that Communists of Jewish origin are not to be encouraged to take govt positions or put themselves in forefront of party activity.

Communist Party has withdrawn pressure for early election since time is now needed to counteract widespread anti-Russian feeling. Interim period is to be utilized to prevent consolidation of opposition. Drive for new membership is based on pardon for previous activities of labor masses in support former Nazi regimes. Reference A-145, July 10, item 8.

It seems probable that local rumors of our interest in electoral decree which was reported imminent last month led to suspension of intended promulgation. We surmise that intensified effort on part of extreme leftist parties to purge administration of non sympathizers with their policies and replace them with their own men is alternative to proposed early election, results of which now appear more dubious to them. ReDeptel [185] July 13. It is hardly open to question that Hungarian authorities will be increasingly unable to guarantee free election with increased leftist control of provisional govt unless ACC procedure as revised following agreement on pending proposals leads to tripartite intervention by ACC in matter of electoral law and in supervising election. Key is well aware supervision would impose very heavy burden and doubtless would require increased

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1 The same message was sent directly to the Office of the Political Adviser at Frankfurt for transmittal to the United States Delegation at Babelsberg.
2 Not printed.
3 Document No. 314, printed in vol. 1.
American personnel in his mission but I believe we must keep in mind eventual need of such supervision.

Repeated to Frankfort as 4 for Matthews.

SCHOENFELD

No. 300

874.00/7-1745: Telegram

The Representative in Bulgaria (Barnes) to the Acting Secretary of State

TOP SECRET

URGENT

SOFIA, July 17, 1945—3 p. m.

367. Top Secret, not for distribution.

The President’s telegram to Stalin as paraphrased in Dept’s 168, June 8 and statement on pages 6 and 7 of June 28 Current Foreign Relations on US position with respect to peace treaties with ex-satellites, encourage me to hope that the admirable statement of views in Dept’s 84 of Mar 29 on elections in Bulgaria is as expressive today of Dept’s thought on this crucial matter as when statement was originally drafted.

In absence of info from Dept I, of course, have no way of knowing whether Bulgarian election situation will be deeply probed at meeting of Big Three and, if so, whether views as set forth in documents referred to above will be reiterated at this time by the US. These are considerations which now crop up daily in conversations with local political leaders who are casting about desperately to know what line to take in the face of Communist determination to retain their grasp on the FF and hence on country.

If democratic elements within and outside the Front could be made aware of views to which I have referred and that such views will be reiterated at Potsdam, they would be galvanized into a resistance

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1 The gist of this message was included in telegram No. 48 of July 18 from Grew to Byrnes (file No. 800.00 Summaries/7-1845).
3 Not printed.
4 The statement referred to is as follows: “We consider that it is desirable to conclude peace treaties with Bulgaria, Hungary and Rumania as soon as possible but do not think this can be done in a brief period. Meanwhile we would like truly tripartite ACCs. We are by no means convinced, especially in Bulgaria and Rumania, that we could preserve democratic principles and the interests of the peoples involved if we conclude peace with the present regimes. We will continue to press for application of Yalta in such important matters as the preparations for elections and the constitution of governments.”
against Communist designs, which in absence of public encouragement from US, could only appear futile and hazardous to them. At the same time it might be hoped Communist leaders would become more reasonable in proportion to degree that doubts of all-out Russian support for a plebiscite to perpetuate Communist domination (instead of free democratic elections) could be instilled in their minds.

The election mold has already been fashioned by Communists and the mixture of metal to be melted down and poured into it is about ready for the furnace. If Yalta declaration on liberated Europe is to be applied effectively in Bulgaria, prompt action by the US is necessary. I, therefore, feel obliged once again to ask the Dept to authorize me to use in my conversations with Bulgarian political and govt leaders the expressions of views that I have referred to in this telegram. If for some reason the Dept perceives serious objection to full revelation of our views, perhaps it could at least authorize use of substance of first three paragraphs of its 84 and statement of our position on peace treaties with ex-satellites. Whatever its decision I should be promptly instructed.

My British colleague continues to urge that his govt take a forthright position with respect to electoral situation here. But putting together all I have picked up from various sources I judge that London possibly having situation in Greece uppermost in its mind, is again prepared to discount Bulgaria and this time to leave to us the burden of any effort somewhat to retrieve matters here, if that is at all possible.

My deep interest in the electoral situation here is motivated by the hope that the fiasco of the ACC aided and abetted by Eden's concessions to Molotov during armistice negotiations in Moscow last October, will not be perpetuated by the signature of peace with a minority-dominated FF govt. I am equally of opinion that we should do everything possible to avoid the stalemate of a policy of nonrecognition, if British and Russia are prepared to recognize the Bulgarian Govt. In this dilemma there seems only one wise course, namely, to do everything we can at present to assure the freest election possible with the widest democratic participation that pressure from US at this time can effect.

Repeated to Moscow as 194.

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4 See document No. 1417, section v.
5 W. E. Houstoun-Boswall.
No. 801

740.00119 Control (Hungary)7-1845 : Telegram

The Representative in Hungary (Schoenfeld) to the Acting Secretary of State

SECRET

BUDAPEST, July 18, 1945—12 p. m. [sic]

PRIORITY

304. Mytel 291, July 16.2

Key has telegraphed War Department reporting substance of discussion at last night’s meeting of ACC which indicates that new procedure more satisfactory to US is actually contemplated and has begun without formal agreement. Key did not press for formalization of new procedure.

Sent to Dept, repeated to USPolAd Frankfort as 8 and to Moscow as 30.

SCHOENFELD

1 The same message was sent directly to the Office of the Political Adviser at Frankfurt, presumably for transmittal to the United States Delegation at Babelsberg.

2 Document No. 795.

No. 802

871.007-1945 : Telegram

The Acting Representative in Rumania (Melbourne) to the Acting Secretary of State

SECRET

BUCHAREST, July 19, 1945—5 p. m.

481. Every informed source I have consulted believes the NDF Govt in its current joint Soviet Rumanian company negotiations involving oil, marine and river transport, banking and other matters are conceding economic concessions greater than present circumstances and available information of Soviet pressure would appear to warrant. (Rptd to Moscow as 132) Instead of employing classic Rumanian delay tactics particularly in view of Potsdam Conference the political faction of Tatarescu which is charged with the current

1 The file copy of this message is actually addressed to the Secretary of War, but this is believed to be a clerical error arising from the fact that it was transmitted via Army channels. The gist of the message was included in telegram No. 80 of July 20 from Grew to Byrnes (file No. 800.00 Summaries/7-2045).
economic negotiations has given ground with more than common rapidity and ineptness.

After careful consideration of all local factors I can only conclude that the above phenomenon is based upon calculations of Tătărescu and his group concerning their political future at a time when the country's own immediate fate may be decided at Potsdam. They fear possible recognition of Anglo American interpretation of Yalta agreement and personnel [sic] pressure that may force temporary eclipse of Tătărescu faction. Accordingly by playing the Soviet game at this critical time, by claiming Anglo American helplessness to safeguard countries territorial integrity (my telegram 478, July 19\(^2\)) Tătărescu and his group may hope to maintain their present political importance.

Melbourne

\(^2\) Not printed.

No. 803

740.00119 Control (Rumania)/7 - 2045 : Telegram

The Acting Secretary of State to the Secretary of State

SECRET

[WASHINGTON,] July 20, 1945.

79. General Schuyler has telegraphed War Dept outline of Soviet "new procedure" for second period ACC Rumania which is in substantially same form as that for Bulgaria\(^1\) (Re Dept's 30 July 16\(^2\)). It contains similar article providing for "discussion" prior to issuance of directives on questions of principle. We view this procedure as unsatisfactory since it does not provide for prior agreement by British and American representatives. The comparable article in the Hungarian proposal (See Tel 286 July 13 from Budapest to Dept repeated to you\(^3\)) appears more satisfactory. We believe it highly important that every effort be made to obtain agreement at Potsdam on this fundamental matter.

[GREW]

\(^1\) See vol. 1, document No. 309.

\(^2\) Not printed. See vol. 1, document No. 310, footnote 1.

\(^3\) Not printed. See document No. 794, footnote 6. For text of the proposal referred to, see document No. 796.

[No. 803]
Proposal by the Soviet Delegation

[Translation—Extracts 1]

THE YALTA DECLARATION "ON LIBERATED EUROPE"

RUSSIAN PROPOSAL PRESENTED TO FOREIGN MINISTERS,
JULY 20, 1945 2

In connection with the note of the USA delegation 3 regarding the Yalta declaration on liberated Europe the Soviet Government deem it necessary to declare that they cannot agree to the statements regarding Rumania and Bulgaria expounded in the above-mentioned note.

The Soviet Government feel obliged to draw the attention of the USA Government to the fact that in Rumania and Bulgaria as well as in Finland and Hungary since the signature of the instruments of surrender by the Governments of these states, 4 due order exists and legal power in acting [sic], which has authority and is trusted by the population of these states. The governments of these states faithfully carry out the obligations assumed by them under their respective instrument of surrender. Rumania and Bulgaria gave the United Nations serious assistance by their armed forces in the struggle against German troops having put out against our common enemy 10–12 divisions each. Under these circumstances the Soviet Government see no reasons for interfering in the domestic affairs of Rumania or Bulgaria.

In accordance with the aforesaid the Soviet Government consider necessary:

1. to restore in the nearest days diplomatic relations with Rumania, Bulgaria, Finland and Hungary as further delay in this respect could not be justified;

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1 For the paragraphs of this proposal not printed here, see document No. 1064.
2 See ante, p. 150.
3 Document No. 745.
4 i.e., the armistice with Rumania, signed at Moscow, September 12, 1944 (Executive Agreement Series No. 490; 59 Stat. (2) 1712); the armistice with Bulgaria, signed at Moscow, October 28, 1944 (Executive Agreement Series No. 437; 58 Stat. (2) 1498); the armistice with Finland, signed at Moscow, September 19, 1944 (British and Foreign State Papers, vol. cxlv, p. 513); and the armistice with Hungary, signed at Moscow, January 20, 1945 (Executive Agreement Series No. 456; 59 Stat. (2) 1321).
The Soviet Government express their assurance that the above-mentioned measures will find the support of the Governments of Great Britain and the United States of America and will be carried out.

No. 805

Proposal by the United States Delegation

TOP SECRET

POLICY TOWARD ROMANIA, BULGARIA, HUNGARY AND FINLAND

The objectives of the three Governments with regard to Rumania, Bulgaria, Hungary and Finland, as in the case of Italy,2 are the early achievement of political independence and economic recovery, and the exercise of the right of the respective peoples ultimately to choose their own form of government.

1. The preparation of peace treaties with Rumania, Bulgaria, Hungary and Finland will be undertaken by the Council of Foreign Ministers as soon as possible.3

2. The three Governments will make such public declarations on matters of joint concern with respect to these countries as may be appropriate.

3. The three Governments recommend to the respective Control Commissions that steps be taken for the progressive transfer of responsibility to the Rumanian, Bulgarian, Hungarian and Finnish Governments, respectively.

4. The three Governments agree to the revision of the respective terms of armistices with these countries as clauses thereof may become inoperative.

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1 Submitted at the Fourth Meeting of the Foreign Ministers, July 21. See ante, p. 194.
2 See document No. 1092.
3 See document No. 713.

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No. 806

The Acting Representative in Rumania (Melbourne) to the Acting Secretary of State

SECRET

BUCHAREST, July 22, 1945—noon.

PRIORITY

491. Coincident with opening of Potsdam Conference all National Peasant and National Liberal Party leaders except Dinu Bratianu

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1 The gist of this message was included in telegram No. 106 of July 23 from Grew to Byrnes (file No. 800.00 Summaries/7–2345).

[No. 806]
who was unavoidably absent met with Prince Stirbey on July 17 and
decided upon a political program to demonstrate locally and abroad
that organized opposition to NDF is an effective force and to forestall
during the conference a sudden Soviet inspired token reshuffle of
present Cabinet.

Rptd Moscow as 135.
This decision reversed previous opposition policy of quiescence
until Potsdam results were known and from available indications was
deliberately taken without informing Anglo Americans as a question
of internal politics. Later it was learned Julius Maniu said “this
policy should be taken in such a manner as to avoid any grounds for
suspicion that the program had prior approval of Anglo Americans.”

Maniu opened political offensive July 18 with speech to university
students who were leaving for vacations. Speech was not published
but was extensively distributed. A summary will be sent in a subse-
quent telegram. Maniu explained democratic principles of his
party and stated categorically “the govt must go. The country must
no longer tolerate dictatorial govt’s imposed from abroad. We want
a freely elected Parliament; we want a govt which is morally and
politically capable of holding free elections.” That evening several
hundred Peasant Party supporters demonstrated briefly for the King
and Maniu in the Palace square. No police opposition was
encountered.

Dinu Bratianu the evening of July 20 addressed about 700 mem-
bers of National Liberal youth organization at the party club. His
speech (text of which will be forwarded by despatch ²) is reported as
being stronger than Maniu’s in condemnation of NDF govt and in
calling for a change. Following speech Liberal Youth proceeded to
Palace square, shouted for the King, Bratianu, Maniu and liberty and
paraded through streets drawing encouraging applause from spec-
tators. At dispersal point demonstrators were met by Red Army
trucks filled with Rumanian Communists. According to a Liberal
source a brief struggle resulted in 32 Liberals being arrested and two
injured.

Other NDF political groups are restive. Some Communists are
openly blaming prominent Central Committee members for party
errors and one prominent official is quoted as saying present govt
cannot continue since it does not enjoy confidence of King or people.

² Not printed.
Ana Pauker this week again reportedly failed to induce Dr Lupu to head his wing of National Peasants into a new camouflage govt.

Premier Groza on July 20 conferred with Plowman's Front leaders on disturbed situation and latter reportedly told one source that Russians would not consider any govt except with himself as Premier.

July 19 Tatarasceau and his group also consulted over former's alleged failure to secure Communist assent to a plan revising the govt making Tatarasceau Premier and giving his faction a more prominent place so the Russians could state to Anglo-Americans there is a bourgeois democratic Cabinet.

All signs point to a continuance of present opposition tactics with leaders openly expressing confidence that at Potsdam Rumania's political problems will be solved in accord with Yalta agreement. NDF factions obviously expecting Cabinet changes and fearing shifts detriment as to their respective groups consult and await outcome of Potsdam Conference as conclusive for their political future.

MELBOURNE

No. 807

740.0019 Control (Rumania)7–2345: Telegram

The Ambassador in Italy (Kirk) to the Acting Secretary of State

SECRET

CASERTA, July 23, 1945—6 p. m.

3030. Air Vice Marshal Stevenson at Bucharest has telegraphed to Foreign Office along lines of Schuyler's M 1226 and M 1227 of July 14 to AGWar with regard to changes in working of ACC Rumania. Stevenson met with Susaikov on July 20, at which time he was given note showing changes in working of ACC Rumania proposed by Moscow as result of end of European war. These proposed changes included regular meetings under chairman or deputy chairman with Schuyler and Stevenson, to take place every ten days or so to settle important matters. Directives involving principles would be given to Rumanian Govt by chairman or deputy after discussions with British and American representatives. Representatives of Britain and America would also participate in general conferences of heads of sections of a legation character [sic]. Com-

1 The gist of this message was included in telegram No. 126 of July 25 from Grew to Byrnes (file No. 800.00 Summaries/7–2345).
2 Document No. 317, printed in vol. 1.
3 Document No. 318, printed in vol. 1.
missioners or their representatives would in addition take part in mixed commissions appointed by chairman on ACC matters. Both missions would have free movement, with ACC being informed of dates and routes. Personnel of missions would be matter for mission heads to decide. Plane clearance would be arranged according to names and dates approved by ACC, chairman deciding on special cases. ACC working rules would continue as notified to London and Washington on Sept 20 except for aforementioned changes.

In commenting on this new Moscow charter, Stevenson says he thinks it must be admitted it is very favorable provided the Russians are acting in good faith. However, based on his observations of Russians while in Bucharest, he believes there is nothing to be lost by maintaining the pressure. He believes Russian stand in Balkans may be weakening as result of Anglo-American protests and therefore feels following points should be aired [asked?] for: There should be no restrictions on entrance and exit of aircraft provided ACC are notified in advance of routine and special flights both of which have a seasonal change, and with respect to directives of ACC, agreements with British and American representatives should be mobilization [sic] before directives of any sort are given to Rumanian government.

At end of meeting Stevenson arranged with Susaikov that first new meeting of ACC should be on July 25. Stevenson expressed hope that new machinery would work in good faith and Susaikov thought this would be case. Stevenson opines that until new machinery is in motion it cannot be assumed new administration will be as tripartite as first two points of new directive would indicate. Susaikov also met with Schuyler who has informed Stevenson that all this is mere window dressing to give impression Russia intends to discharge major undertakings in good faith when she has little actual intention of doing so. Stevenson does not feel he can diverge from this point of view because "with Russians handsome is as handsome does" and results must be awaited. He thinks Russian interpretation may result in continued unilateral direction policy and executive in Rumania unless agreement is reached on submission of no directives to Rumanians without prior coordination with British and American representatives.

Kirk
The Joint Chiefs of Staff to the State-War-Navy Coordinating Committee

WASHINGTON [Babelsberg], 23 July 1945.

MEMORANDUM FOR THE STATE-WAR-NAVY COORDINATING COMMITTEE

Subject: Proposed Statutes for Allied Control Commission for Hungary.

The Joint Chiefs of Staff have considered the report by the State-War-Navy Coordinating Subcommittee for Europe on "Proposed Statutes for Allied Control Commission for Hungary" and perceive no objection from the military point of view.

For the Joint Chiefs of Staff:
A. J. McFarland,
Brigadier General, U. S. A.
Secretary.

SECRET

Proposed Statutes for Allied Control Commission for Hungary

References:  a. SWNCC 151/D (J. C. S. 1416) 2
b. J. C. S. 722/9 3

Report by the State-War-Navy Coordinating Subcommittee for Europe

THE PROBLEM

1. To consider the recommendations of the Chief, U. S. Section, Allied Control Commission for Hungary for proposed statutes of the Allied Control Commission for Hungary for the period from the end of hostilities against Germany to the conclusion of peace with Hungary (Appendix "A", SWNCC 151/D) (Appendix "A" JCS 1416) and to make recommendations to the State-War-Navy Coordinating Committee (SWNCC).

FACTS BEARING ON THE PROBLEM

2. An Allied Control Commission in Hungary has been operating under a protocol 5 containing the Statutes of the Allied Control Com-

1 Although this report is attached to a certified copy of the above memorandum in the SWNCC Files, there is no indication that it accompanied the original of the memorandum as delivered to SWNCC.
2 Not printed as such. Concerning Key's recommendations contained in the documents cited, see vol. 1, document No. 289, enclosure 1.
3 Not printed.  

[No. 808]
mission for Hungary (J. C. S. 722/9, Appendix “C”) since the signing of armistice terms for Hungary on 20 January 1945. In their present form those Statutes prescribe the organization and procedure, in certain respects, only for the first period of the Armistice, i. e., from the date of the Armistice Agreement to the end of hostilities against Germany.

3. The proposed Statutes are intended to cover the second period, i. e., from the end of hostilities against Germany to the conclusion of peace with Hungary.

4. As indicated by the comments of the Chief, U. S. Section, Allied Control Commission for Hungary (Annex “B” to Appendix “A”, SWNCC 151/D) (Annex “B” to Appendix “A” JCS 1416) an effort has been made in the draft of the proposed Statutes to retain as much of the agreed phraseology of the present Statutes as possible and at the same time make provision for a greater participation by the U. S. and British on a more truly tripartite basis.

5. A redraft of the proposed Statutes (Tab to Annex to Appendix “B”)* has been prepared, incorporating certain policy changes, explained below, and certain minor changes. The more important changes are:

a. The deletion of the word “principal” in paragraph 1 in describing the functions of the Commission. It is felt that the advantages obtained by its inclusion would be outweighed by the disadvantages in the implied broadening of the scope of activities of the Commission beyond enforcement of the armistice terms, and that the functions which General Key mentions in his comments* on this article may justifiably continue to be carried out when necessary under other provisions of the statutes.

b. Article 2 has been clarified to describe the Chairman as representing the Soviet Government and the Soviet Military Command in Hungary.

c. Section (b) of Article 5 has been included in substance in Article 4 to insure that proposals of all three members be included in the agenda; section (e) is being deleted as being included in substance in Article 2 and 4. Article 4 has also been modified by the deletion of the phrase “Questions of policy shall be referred to the governments of the Soviet Union, the United Kingdom and the United States.” Since questions of policy which could be decided only at a governmental level would naturally be referred to the participating governments, this provision has been omitted and the sentence now reads “Decisions of the Commission shall be made only upon the concurrence of the principal representative of each of the three participating governments.”

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* Executive Agreement Series No. 456; 59 Stat. (2) 1321.

* See the subattachment, infra.

* “The Mission has cared for and repatriated a great many U. S. airmen and numerous escaped U. S. prisoners of war, has obtained information concerning the military, economic and political situation in Hungary, et cetera.”
CONCLUSION

6. The proposed Statutes should be adopted as redrafted (Tab to Annex to Appendix "B") on the basis of the suggestions given in paragraph 5 above.

RECOMMENDATIONS

7. It is recommended:

a. That this report be submitted to the Joint Chiefs of Staff for consideration from the military point of view.

b. That if the Joint Chiefs of Staff have no objections the memorandum in the Annex to Appendix "B" be forwarded to the Secretary of State by the State–War–Navy Coordinating Committee.7

SECRET

DRAFT OF STATUTES OF THE ALLIED CONTROL COMMISSION IN HUNGARY

(Note: By this draft it is intended to prescribe the organization and procedure of the Commission during the second period of the Armistice, i.e., from the end of hostilities against Germany, May 8th, to the conclusion of peace. In their present form the Statutes prescribe the organization and procedure, in certain respects, only for the first period of the Armistice, i.e., from the date of the Armistice Agreement, January 20th, to the end of hostilities against Germany. Consequently certain old provisions, applicable only to the first period, may now be omitted, and certain new provisions are required. So far as feasible the form and terminology of the present Statutes have been retained.)

1. The functions of the Allied Control Commission in Hungary shall consist of the regulation and control, for the period up to the conclusion of peace, of the exact fulfillment of the Armistice terms set forth in the Agreement concluded on the 20th January 1945 between the Governments of the Soviet Union, the United Kingdom and the United States, on the one hand, and the Provisional National Government of Hungary on the other.

2. The Allied Control Commission shall be headed by a Chairman who shall be a representative of the Soviet Government and of the Soviet Military Command in Hungary. The Chiefs of the American and British Missions shall be Vice Chairmen of the Commission. The Chairman may also appoint a third Vice Chairman of the Commission and such political and military assistants as may be required, and a Chief of Staff of the Commission. Representatives of the United Kingdom and the United States will be included in the com-

7 See the attachment to document No. 809.

[No. 808]
position of the Control Commission and of each division thereof. The Allied Control Commission shall have its own seal and its headquarters shall be at Budapest.

3. The Allied Control Commission shall be composed of:

(a) A staff.
(b) A political division.
(c) An administrative division.
(d) A military division.
(e) An air force division.
(f) A river fleet division.
(g) An economic division.

The staff will include officers of the armed forces of all three participating governments and will have a liaison section. The duties of the liaison section will include receipt from and transmission to the Hungarian Government of all communications, reports, directives, or other documents relating to the fulfillment of the Armistice terms.

4. The Chairman shall call meetings of the Commission at least twice each month and shall cause agenda, which will include proposals of any of the principal representatives of the three participating governments, to be prepared for such meetings and delivered to each of them at least two days in advance of the meeting for which prepared. In the absence of unanimous agreement of such principal representatives, only matters appearing on the agenda shall be considered at each meeting. Decisions of the Commission shall be made only upon the concurrence of the principal representatives of each of the three participating governments.

5. Representatives of the Soviet Union, the United Kingdom and the United States shall have the right

(a) To receive oral and written information from any official of the Commission on all matters connected with the fulfillment of the Armistice Agreement;
(b) To receive promptly copies of all communications, reports and other documents which may interest their respective governments;
(c) To make journeys and move freely anywhere, and by any means of transportation, on Hungarian territory, with complete freedom of entrance from outside Hungary to any point within Hungary, and with complete freedom of exit from Hungary;
(d) To communicate with the Hungarian Government or any of its agencies, through the liaison section of the staff;
(e) To determine the size and composition of their own delegations;
(f) To communicate directly with their respective governments by cypher, telegram and by diplomatic mail, for which purpose they shall have the right to receive and dispatch diplomatic courier[s] by air at regular intervals, upon notification to the Chairman;
(g) To determine the amount of money required from the Hungarian Government for the expenses of their respective staffs and to obtain such funds through the Commission;

(h) To transport personnel, mail and supplies to and from Hungary by airplane or by motor or other transportation, upon notification to the Chairman of the Allied Control Commission;

(i) To call in specialist-officers or other experts for consultation, for making surveys or for working out special questions which arise during the work of the Allied Control Commission.

6. The Allied Control Commission shall have its representatives in the provinces, districts, ports, and at the most important enterprises for the organization of local control.

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No. 809

740.00119 Potsdam/7-2345

The State-War-Navy Coordinating Committee to the Members of the Committee Panel at Babelsberg

TOP SECRET

[BABELSBERG,] 23 July 1945.

MEMORANDUM FOR MR. DUNN

MR. McCLOY

ADMIRAL GARDNER

Subject: Proposed Statutes for Allied Control Commission for Hungary.

Reference: JCS 1416 Series

SWNCC 151 Series

The attached memorandum to the Secretary of State, embodying a report by the Joint Chiefs of Staff and the SWNCC on the proposed Statutes for the Allied Control Commission for Hungary is circulated for informal consideration.

It is requested that you indicate your comments or concurrence.¹

For the State-War-Navy Coordinating Committee:

H A GERHARDT

Colonel, G. S. C.

Acting Secretary

S. W. N. C[. C.]

¹ Approval was given by the War and Navy Department members of the SWNCC panel at the Conference. The Department of State member withheld approval, however, because the matter was under negotiation at the Conference. See document No. 824. The draft statutes in the subattachment to document No. 808 were approved in Washington, however, following the Conference, and on August 16 they were sent to the American members of the Allied Control Commissions in Hungary, Rumania, and Bulgaria, with instructions to initiate discussions on the revision of the Commission statutes in each country and to press for adoption of the points covered in the draft statutes for Hungary in so far as possible.
SECRET

MEMORANDUM TO THE SECRETARY OF STATE

The War–State–Navy [sic] Coordinating Committee has considered the proposed Statutes for the Allied Control Commission for Hungary recommended by the Chief of the U. S. Section, Allied Control Commission for Hungary (SWNCC 151/D, Appendix "A") (Appendix "A" to J. C. S. 1416). The Committee recommends the amendment of the proposed Statutes as redrafted in the form attached. As so amended, the committee recommends that the Secretary of State endeavor to secure the adoption by the Soviet Union, the United Kingdom, and the United States of a Protocol embodying those Statutes, or so much thereof as may be possible.

The Joint Chiefs of Staff have no objections from a military point of view.

JAMES C. DUNN
Chairman, State–War–Navy Coordinating Committee

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2 See vol. ii, document No. 289, enclosure 1.
3 See the subattachment to document No. 808.
4 See document No. 808.
5 This typed signature appears on the draft memorandum.

No. 810

740.00110 Control (Bulgaria)/7-2345: Telegram

The Representative in Bulgaria (Barnes) to the Acting Secretary of State

SECRET

PRIORITY

377. Please see General Crane’s telegram 1951 to JCS 1 reporting text of communication from minister of Foreign Affairs and Cults 2 to the Deputy President ACC 3 requesting establishment of regular diplomatic relations with Bulgarian Govt.

I have reported my views on this subject so fully during past few months that only comment now necessary seems to be to point out that in raising question Stainov has given Govts of the US, UK and USSR opportune occasion in connection with Potsdam meeting to express themselves on thoroughly unsatisfactory internal political and election situation. Now would seem to be the time to demand postponement of elections and amendment of electoral law in interest

1 Document No. 813.
2 Petko Stainov.
3 Colonel General Sergey Semenovich Biryuzov. The passage in brackets has been supplied to correct a garble in the original.
of truly democratic procedures permitting all political parties within framework of FF or other democratic groups that may so desire to put forward programs with right freely to bring individual platforms to attention of electorate and to present separate lists of candidates. Full safeguards to protect rights of electorate in period preceding elections and to assure liberty of polling and secrecy of ballot should be exacted.

Since July 15 it has seemed a militia rule rather than the exception for political visitors to the house of Agrarian Minister Petkov to be arrested and subjected to intimidating interrogation.

BARNES

No. 811

740.00119 Control (Rumunia)/7-2345 : Telegram

The Acting Representative in Rumunia (Melbourne) to the Acting Secretary of State

SECRET

Bucharest, July 23, 1945—7 p.m.

495. See Telegram M-1285 July 23 [24] sent by Schuyler to War Dept outlining and asking for comment on his proposed course of action in view of Soviet proposed ACC procedure. General considers and I concur it is necessary to make clear American viewpoint on significant continuing unilateral actions taken by Soviet officials on ACC or risk assumption that now they are countenanced by Schuyler.

MELBOURNE

1 Document No. 812.

No. 812

Department of the Army Files : Telegram

The Chief of the Military Representation on the Allied Control Commission for Rumunia (Schuyler) to the War Department

SECRET

[Priorty]

Bucharest,] 24 July 1945.

M 1285 from Schuyler Rumunia to AGWar for WarOpDiv info ComGenMed, ACC Hungary, ACC Bulgaria, and ComGenMilMis.

Under the new plan for operation of the ACC as outlined to you in my M 1250 of 16 July, frequent discussions are to be held by the

1 Sent to the Commanding General, United States army Forces, Mediterranean Theater of Operations, Caserta, for relay. Received by the United States Delegation to the Berlin Conference on July 24 as a retransmission from the War Department.

2 See document No. 797, footnote 3.
Chief Allied representatives relative to important ACC activities. This new operational policy places on the chief US and British representatives the specific responsibility for examining and discussing in joint conferences all current or proposed future ACC policies and for having [been?] either definitely in agreement with or opposed to each such policy. In this situation I feel that as chief US representative I can no longer remain silent relative to certain policies which have been placed in effect in the name of the ACC and which I believe the United States Government would not desire to support. Full information on these policies has already been furnished. The position which I feel I should take in each case is summarized briefly below:

1. Under Article 7\(^3\) the ACC has required the delivery to Russia as “War Booty” of considerable quantities of industrial equipment including oil pipe, tubing and casing, on the ground that such equipment originated in Germany. I propose to protest that [the] application of this policy to any industrial equipment, regardless of its origin, which can be shown to have been actually purchased and paid for prior to 23 August 1944.\(^4\) I am informed that a similar protest has been made to the Soviet Government by the US Ambassador in Moscow.\(^5\)

2. Under Article 8 the ACC has required delivery to USSR of German held oil shares and bank stocks in Rumania. Since I have already protested this action, no further steps are necessary. Moreover I am aware that the matter is being discussed on governmental levels.

3. Under Article 10 the ACC is requiring Rumania to maintain and subsist large Russian forces which are now being retained on Rumanian soil, apparently for the convenience of Soviet Russia. I propose to protest the application of Article 10 after the conclusion of hostilities with Germany to any Russian forces other than those actually in transit back to Russia. I do not feel it necessary to discuss at this time a previous interpretation by Russia under which, prior to the end of hostilities, Rumania was required to subsist large Russian forces outside of Rumanian territories.

4. I propose to protest the present ACC interpretation of Article 12 whereby Rumania is being required to repay Russia in kind for large amounts of grain, cattle and other similar items removed or consumed by Russian forces during their occupation of Russian territory. My position will be that articles and materials to be returned to Soviet Russia under this article would not include products of the soil or subsoil or other items which have since been consumed, destroyed or otherwise removed from Rumanian territory, compensation for removal of all such items being provided by the reparations payments under Article 11.

\(^3\) Of the armistice with Rumania signed at Moscow, September 12, 1944 (Executive Agreement Series No. 490; 59 Stat. (2) 1712).
\(^4\) i.e., before the surrender of Rumania.
5. I propose to recommend a change in present censorship policies under Article 16 so as to prohibit Rumanian censors from preventing the publication or distribution on Rumanian territory of American newspapers and magazine articles or other American literature or films. I propose to take the stand that the only censorship in Rumania for Russian, British or American literature or films should be that exercised by the ACC itself. (See Mr. Melbourne's cable number 71 [471] dated 15 July 6).

6. I propose to point out that the continued retention by Soviet Russia of vessels of the Rumanian Navy is not provided for in the armistice, and to urge that since hostilities have now ceased, all such vessels be returned to Rumania.

I shall of course await your concurrence or other instructions before proceeding further with this matter. I have discussed the question with the Acting US Representative in Rumania who concurs in the desirability of bringing the entire matter to your attention at this time.


No. 813

740.00119 Potsdam/7-2445 : Telegram

The Representation on the Allied Control Commission for Bulgaria to the Joint Chiefs of Staff

UNCLASSIFIED

URGENT

SOFIA, 24 July 1945.


Following quoted communication has been received from the Chairmanship of the Allied Control Commission. No comment.


To Colonel General S. S. Buriusoff Deputy President of the Allied Control Commission City.

My Dear General. I have the honor to request the Allied Control Commission to bring to the knowledge of the Allied . . . 1 Governments of the USSR the United States of America and the United Kingdom, and more particularly to the knowledge of their supreme representations at Potsadam, the contents of the following note:

Since the signing of the Armistice 2 the Bulgarian Government has had the task of fulfilling the engagements of the armistice agreement

1 Ellipsis in the original.

2 Executive Agreement Series No. 437; 58 Stat. (2) 1498.
most loyally and so far the Allied Control Commission has had no occasion to observe the fulfillment of any of the obligations of this treaty with failure. The Bulgarian Government prompted by its own initiative, before taking obligations by virtue of this treaty, declared war on Germany and took a most active part in the war operations against the German forces. Its Armies at the price of thousands of sacrifices, participated in the liberation of Macedonia and Serbia from the German forces in Yugoslavia, entered Hungary and, fighting their way through, reached Austria from where they returned these days. The Bulgarian Government accomplished this without the demand of advance conditions from the Allies as a compensation for its collaboration.

This war effort of Bulgaria cost her 40,000 in killed and wounded. The Bulgarian Government, however, had the satisfaction to realize that, after the faults and the crimes of the former rulers of the country who were rejected and condemned by the nation, it was able to offer a modest but sincere contribution to the just cause of the Allies to which the Bulgarian nation has always been attached.

While as German forces were still in Bulgaria, the Bulgarian nation and the underground movement operation against the Germans and their agents gave also for this same cause thousands of sacrifices and sustained most frightful sufferings in the final achievement to put down the power of the German agents who governed the country and to expel the German forces from Bulgarian territory. To our great regret, this self denying endeavor of the Bulgarian underground movement and these war effort[s] of Bulgaria were not properly appreciated and the Bulgarian soldier, who fought and died together with the Allied soldiers during the subsequent war operations, was not recognized in his capacity as cobelligerent.

In spite of that, the Bulgarian Government continued to stand firmly on the positions it had taken when, through a national uprising [sic], it overturned the pro-German Governments of the past and went with Allied forces to the side of the Allies. Lately, however, a wave of false and tendentious reports tend to ascribe to Bulgaria intentions which she does not possess and to set her on a background which has no relation whatsoever to the actual state of affairs in the country.

Not only irresponsible news and radio broadcasting agencies but even some responsible factors in the foreign countries have directed public accusations against Bulgaria which have not [nothing?] in common with the truth. They state, for instance, that Bulgaria has started military manoeuvres in the frontier districts with the purpose of exercising pressure on her neighbors and that she is concentrating armed forces on the borders in order to invade neighboring territories, even to the extent of having despatched armed formations in these frontier zones.

The Bulgarian Government is duty bound to state that all these [this] is an absolute and willful misrepresentation and to appeal to the Allied Control Commission which is in a position to check and confirm the truth. The Bulgarian Government sites [sic] for peace in the Balkans and seeks all possible ways of collaboration for the attain-
ment of a peaceful solution of all questions affecting the vital interests of the Balkan nations and for a friendly life and relationship with the neighboring countries. Even at the time when, for considerations relating to the internal condition of neighboring Greece, several thousand slave Macedonians took refuge in our country, the Bulgarian Government did not waver from its present line of attitude and action and the Bulgarian press did not give vent to foul attacks against our neighbors.

Bulgaria is taken up with the process of healing up her wounds from the criminal policy of the past pro-German Governments and from the consequences of the war. She has devoted herself completely to her political and economic reconstruction. Because of the defeatism established in the spirit and the body of the country by the former governments and because of the position occupied by the pro-German factors and the administrative acts promulgated by them, the Bulgarian nation, which had to force them down and out of the government, is still preoccupied with the difficult task of reconstructing the whole life and machinery of the administration on new democratic principles. It follows and will continue to follow this road, in spite of the economic and other hardships which inevitably surge in similar turns of politics, like the one which Bulgaria had just made and in a war time situation like the present. It is hoped that the efforts of the Bulgarian nation and the initiatives of the Bulgarian Government to overcome these handicaps might be understood and appreciated properly by the Allies. The Bulgarian Government wishes to believe that the Allied Governments would take pains in acquainting themselves adequately with the situation in the country, with the attitude of the Bulgarian people and the sincere endeavors of the Bulgarian Government and that, in the name of justice, good understanding and peace in the Balkans, they would accord a treatment to Bulgaria which would enable her to continue with greater success her work for economic reconstruction and rehabilitation, for democratic regeneration and for a Balkan peaceful collaboration.

The Bulgarian Government hopes that the Allied powers will not put off any longer the establishment of regular diplomatic intercourse with Bulgaria which will bring about her closer and more efficient contact with the great Allied powers and would facilitate further the continuation of the course which started with the war participation of the Bulgarian forces, on the side of the Allies. The Bulgarian Government is of the opinion that the war efforts of its nation and its government to the cause of peace and Balkan understanding are sufficient ground for the crossing over into a new phase of Bulgaria's relations to the Allies, actually toward the conclusion of a peace treaty which will direct regenerated Bulgaria, definitely and once for all, on the road which she chose on the side of the Allies.

I have the honor, sir, to reiterate to you the assurance of my highest consideration.

Minister of Foreign Affairs and Cults, Commissar for the Fulfillment of the Armistice Agreement.

Signed Prof. P. Stainoff."

[No. 813]
Bucharest, July 24, 1945—8 p.m.

498. Yesterday evening in an interview requested by Mr. Julius Maniu he stated that to demonstrate its existence the political opposition last week had engaged in small scale activities that also were needed for party morale (my 491 July 22²). (Repeated Moscow as 140) These activities had been limited in order not to impede considered decisions upon Rumania at the Potsdam Conference, since the opposition wished to avoid what it considered to be the unhappy example of Poland in taking unilateral action.

Despite what Maniu maintained to be intimidating or provocative tactics by the NDF (National Democratic Front) and Soviet officials who sought to disrupt party meetings the National Peasants were remaining calm as they awaited results at Potsdam which they expected would implement the Yalta Declaration.³

Maniu stated he had counseled his party that US and Great Britain if they wished could secure Soviet acquiescence to a democratic interpretation of Yalta. He remarked that he considered such an act necessary for America to translate its [enunciated principles into acts or have its influence irreparably damaged in this area.

In considering measures to implement the Yalta Declaration Maniu expressed his belief in the impossibility of adequate tripartite ACC (Allied Control Commission) supervision of national elections. He expressed his preference for a non-political technician’s government to conduct the elections or, failing this, a democratic coalition government truly representative of party political strength in Rumania. He considered the National Peasants could confidently expect an overwhelming electoral majority with free elections and suggested in a coalition government that the party be given the War, Interior, and Propaganda Ministries since it would be to its interest to conduct the elections in an unbiased manner with an inevitable large National Peasant majority emerging with the responsibility of government.

If the Groza Government is retained or mere minor changes decided at Potsdam Maniu significantly stated that his party will organize energetic country wide opposition, including demonstrations, against the NDF Government. In measured words he said that for such intensified action he was certain of support from the dissatisfied

¹ The gist of this message was included in telegram No. 135 of July 26 from Grew to Byrnes (file No. 800.00 Summaries/7-2645).
² Document No. 806.
³ On liberated Europe. See document No. 1417, section v.
Rumanian Peasants who would unite with townspeople to defend country’s democratic traditions.

Maniu again repeated his fundamental premise that he is not anti-Russian since he views events in light of political forces rather than emotionally. He flatly said country would be foolish to adopt an opposition course to Soviet Union but that his party could never approve of an incompetent Communist minority governing Rumania.

MELBOURNE

No. 815

Department of the Army Files: Telegram

The Chief of the Military Representation on the Allied Control Commission for Rumania (Schuyler) to the War Department

SECRET [Bucharest], 25 July 1945.
PRIORITY


In my M 1240 of 16 July I listed specific objections to the attitude displayed by General Susaikov in the administration of the affairs of the Allied Control Commission. I had hoped that the changes in Allied Control Commission Policy announced by General Susaikov on 16 July and reported in my M 1250 of 16 July presaged a more cooperative spirit on the part of the Soviet officials in solving mutual problems. Accordingly on 18 July I advised General Susaikov that I proposed to inspect the Danube Ports of Brâila Galatz Tulcea and Sulina and requested his assistance in procuring coal for a vessel made available by the International Danube Commission for the purpose. On 21 July I received a report that General Susaikov’s authority extends no further than Selatz [Galatz?]. As the Allied Control Commission currently has representatives at Tulcea and Sulina this reply is not acceptable.

The incident is considered important in its bearing on possible changes in the procedure and method of operation of the Allied Control Commission. Recommended changes were included in my M 1250 [1240] of 16 July. Nevertheless unless the rights and powers

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1 Sent to the Commanding General, United States Army Forces, Mediterranean Theater of Operations, Caserta, for relay. Received by the United States Delegation to the Berlin Conference on July 26 as a retransmission from the War Department.

2 Document No. 793.

3 See document No. 797, footnote 3.
of the American Representative are clearly and unequivocally expressed ameliorative changes in procedure would be nullified by the negative and uncooperative attitude of the Soviet Representatives on the Allied Control Commission.

No. 816

Department of the Army Files: Telegram

The Secretary of State to the Acting Representative in Rumania (Melbourne) ¹

SECRET URGENT [BABELSBERG], July 25, 1945.

VICTORY 323. The question of the revision of the Control Commission procedures in Rumania, Bulgaria and Hungary is under discussion at the Berlin Conference. Please inform General Schuyler requesting him to keep matter open but not to indicate our acceptance of the Soviet proposal pending receipt of further instructions.

BYRNEs

¹ Messages identical with this telegram, except that they refer respectively to Key and Crane instead of Schuyler, were dispatched at the same time to the American Missions at Budapest and Sofia as telegrams Nos. VICTORY 324 and 325.

No. 817

874.00/7-2545: Telegram

The Representative in Bulgaria (Barnes) to the Acting Secretary of State ¹

SECRET PRIORITY SOFIA, July 25, 1945—5 p. m.

381. United FF (Fatherland Front) lists of candidates for the 23 electoral districts into which Bulgaria has been divided for the forthcoming general elections, still scheduled for August 26 have been published in this morning’s press. The formula of 95, 95, 46, 31 and 9² (remytel 341, July 7³) has been adhered to. All Agrarian and Socialist candidates are Obbovists and Neikovists. All Zveno candidates are supporters of Kimon Georgiev who recently has gone so far in trailing along with the Communists as to alienate many of his former admirers.

¹ The gist of this message was included in telegram No. 150 of July 28 from Grew to Byrnes (file No. 800.00 Summaries/7-2845).
² i.e., 95 seats for the Communists, 95 for the Agrarians, 46 for the Zveno group, 31 for the Socialists, and 9 for Independents.
³ Not printed.
The anomaly of the domestic political situation as revealed by the lists published this morning is that Petkov Agrarians and Cheshmedjiev Socialists along with certain independents who have made common cause with Petkov and Cheshmedjiev and support of democratic process against Communist domination of the FF are still nominally supporters of and participants in the FF Govt, while in fact they have already been excluded from the FF. The only basis now left for participation by these democratic forces in the forthcoming elections is article 53 of the electoral law which provides for candidates based on petitions signed by ten registered voters. A few well administered beatings by Interior Minister Yugov's militia will probably limit such petitions to a minimum; also Petkov Cheshmedjiev and other opponents of Communist domination have little or no time in which to act independently as today is the last day for the registration of candidatures with the local courts. Even should they succeed in filing lists their chances of successful participation in the elections will remain small as they possess no medium of public expression and must rely upon surreptitious means of informing the voter as to their program and candidates.

Hence immediate intervention by three principal Allies looking to postponement of the elections at least until the end of October and to democratic revision and control of electoral procedures seems imperative if Bulgaria is not to witness on August 26 a Hitlerite plebiscite staged to confirm control of the country by Communists and their stooges, the Obbov and Neikov led Agrarians and Socialists and by the totalitarian minded Zveno. Last minute changes in the electoral law which emphasize once again that Minister of Interior is leaving nothing to chance were announced yesterday. One of these changes states that common list ballots will not be invalidated if the voter scratches any of the names on the list and ballot will be counted for all names printed thereon.

Assistant Minister of War General Lekarsky said in a public statement yesterday that "the army is very pleased with the decision of the FF to come out with a common ticket" and that "attempts to put forward separate lists are disrespectful of the memory of those who gave their lives in a patriotic war in support of national unity". He also said that the Bulgarian soldier of the Peoples Army is writing in blood a new history of Bulgaria on the first page of which the following program is inscribed:

"Eternal brotherly alliance with Tito's Yugoslavia and all other Slavic nations; eternal brotherly alliance with the people of USSR (Union of Soviet Socialist Republics) who bring freedom to all enslaved people; unity between people and army; a fighting alliance among all really democratic forces in the country; death to every
open or concealed enemy of those slogans and close cooperation with all honest democratic nations to assure peace of the world". (It would be interesting to have his list of dishonest democratic nations). Also yesterday the Minister for Foreign Affairs\(^4\) replying to a comment by me to the effect that a month still remains during which time the Allies could advise postponement of elections, laughingly made mention of the old proverb about time and tide, adding that it is already too late for the Allies to change matters much.

I am sure Dept is fully aware of direct bearing of all the foregoing on questions of recognition and negotiation of a peace treaty which problems presumably are now under active discussion at Potsdam. Surely any govt that might issue from (better to say be confirmed by) a Hitlerite plebiscite would hardly be one to merit our confidence without winning it by a record of fair and honest dealing. I therefore continue to believe the only course of wisdom open to us is the exertion without delay in the interest of the freest possible elections of whatever influence we may possess. As the MinForAff suggested, politics have a characteristic in common with time and tide.

Rpd to Moscow as 196.

\(^4\) Petko Stainov.

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No. 818

864.00/7-2545 : Telegram

*The Representative in Hungary (Schoenfeld) to the Acting Secretary of State*

SECRET

BUDEPH, July 25, 1945—6 p. m.

334. Alexander Szent-Iványi, administrative vice president of Citizens Democratic Party, informed me today that Teleki resigned his chairmanship of party yesterday and that for present the three vice presidents will direct party activities pending election of new chairman which may be deferred for some time.

Szent-Iványi mentioned that the other parties constituting the coalition remained suspicious of his part[y] but he had good reason to know all except Communists and extreme Left Wing of Peasant and Social Democratic parties were anxious to hold free national election. Members of all parties favoring holding free election were unanimous however that without active support of the Allies in form of what he described as a special electoral commission no free elections could take place in Hungary. He asked me directly whether there

\(^1\) The same message was sent directly to the Office of the Political Adviser at Frankfurt for transmittal to the United States Delegation at Babelsberg.
was any chance of such commission being instituted to supervise election here.

Stating that I could answer question only in general terms, I called attention to significance of Crimea declaration and my surmise that its implementation was now subject of discussion at Potsdam. As to so called electoral commission, I intimated personal opinion that instrumentality for making effective Allied guarantee of free election here already exist[s] in ACC. I also mentioned Acting Secretary Grew's recent letter to Senator Vandenberg 2 on Polish election as demonstration of our interest in free democratic process in liberated and ex-satellite countries. I emphasized as I have done in conversations with other Hungarians that from American standpoint full and frank discussion of political issues has [is?] essential part of democratic process and that Hungarian leaders had responsibility not only for guiding Hungarian political activity but also to make their political needs known to Allies in order to facilitate cooperation between representatives of Allied governments on ACC here and constructive elements in Hungarian life.

(See my airgram 291, July 18.3)

Sent to Dept, repeated to Frankfurt as No. 10.

SCHOENFELD

2 Document No. 1117.

3 Not printed.

No. 819

740.00119 Potsdam/7-2645

The First Secretary of Embassy in Portugal (Cannon) to the Director of European Affairs (Matthews) 1

[Extract 2]

[BABELSBERG,] July 26, 1945.

MEMORANDUM

If any of the delegations are willing to accept this text,3 note that either the British or the Soviet representative will propose a suitable passage to cover Finland.

1 Printed from an unsigned carbon copy.

2 For the portions of this memorandum summarizing the Third Meeting of the Subcommittee on Implementation of the Yalta Declaration on Liberated Europe, July 26, see ante, p. 417.

3 The text referred to is the quoted paragraph printed ante, p. 418.

[No. 819]
If we accept something along the lines of the foregoing text, the title must be changed. We might propose:

*Statement on Allied Control Commission Procedure in Rumania, Bulgaria, Hungary (and Finland).*

Copies of the Soviet proposals [on revising the procedures of the Allied Control Commissions in Bulgaria, Hungary, and Rumania], to which reference is made above have been handed to us here. Translations of these for Hungary and Rumania are attached.¹ We have been informed that the proposals for Bulgaria ² and Finland are identical with those for Rumania.

By way of comment it may be said:

1. Our representatives on the Allied Control Councils as well as the Department, seem to think these proposals give us most of what we wanted. I agree.

2. We have in mind some requests for elucidation as well as some desirable additions. We might submit them to the Soviet Delegation here in the form of a personal letter. Though we could hardly expect a reply here, this would perhaps be better tactics than to start fresh through diplomatic channels. I think we could prepare a statement of these items in a couple of hours. Can we handle here the question of concurrence of the Joint Chiefs? If not, the delay of clearance through the Department might make it too late to get the letter into Soviet hands before the Conference closes.

3. The Soviet proposal for Hungary would give us what purports to be a status of concurrence in decisions of the Allied Control Council, i.e., a fairly full tripartite status in matters of policy at least. In working for revision we should try to obtain this same status as regards Rumania and Bulgaria, thus achieving uniformity in a region where our interests are identical for the three countries, and where the military reasons for a distinction no longer apply.

4. We may have to make some concession from our position of full tripartite participation. The substance of our desiderata would be achieved, however, if we obtain effective consultation prior to the issuance of directives.

¹ For the attached paper relating to Hungary, see document No. 796. Concerning the Soviet proposals relating to Rumania, see document No. 797.
² See vol. 1, document No. 309.
No. 820

Bucharest, July 26, 1945—10 a.m.

504. Soviet officials of the Allied Control Commission on July 24 verbally stated that the program providing for a revised operation of Allied Control Commission as reported in General Schuyler’s War Dept telegram July 16 No M-12501 did not apply to this mission (This is 504) with respect to permitting it to determine unilaterally the number of its personnel.

Melbourne

1 The gist of this message was included in telegram No. 140 of July 27 from Grew to Byrnes (file No. 800.00 Summaries/7–2745).

2 See document No. 797, footnote 3.

No. 821

Budapest, July 26, 1945—11 p.m.

339. Arpad Szakasits[,] President of Social Democratic Party[,] accompanied by Szalai[,] Chairman of Foreign Affairs Committee of party[,] called today to explain that prerequisite to smooth transition to democratic processes in Hungary was assurance of work and essential supplies and individual freedom in default of any of which it would be difficult to stem resort to authoritarian rule in this country. They desired assurance that it2 would use its moral and material power to bring about improved transport conditions and revival of trade in Europe generally and particularly in this area and to exert American influence in behalf of democratic political organization.

Szakasits said he deemed it essential on economic side to facilitate transport equipment for Hungary and to remove trade barriers. He noted that notwithstanding sincere effort of Hungarian people as a whole to win confidence of democratic states Hungarians are still being treated as Nazi satellite nation with attendant discrimination by western powers which discouraged our friends. Social Demo-
crats felt it was indispensable that US should take active part in
democratic reconstruction in Eastern Europe naturally in harmony
with its Allies. He referred to Acting Secretary Grew’s recent letter
to Senator Vandenberg on Polish election ³ and to recent editorial
in London Times and inquired as to prospects of cooperation among
Allies in this area in economic and in political matters.

I intimated there was possibility of early attention being given to
transport question with view to meeting this essential need. (Urtel
206, July 19 ¼) I assured him US was hopeful of securing coopera-
tion among Allies on general issue of removal of trade barriers. I
added US was interested in practical implementation of Crimea
Declaration in political matters though I could not predict form it
would take but I expressed confidence agreement on such implementa-
tion among Allies would result from Potsdam Conference.

. . . He ⁵ inquired directly whether US proposed to intervene in
Hungarian national election when it takes place and whether Soviet
garrison would be withdrawn. I answered I had no information as
to any such plan but that if Allied supervision of election here were
deemed necessary we would expect to have equality in any action
taken by Allies.

Sent Dept repeated to Frankfurt as No. 11 for Matthews.

SCHOENFELD

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² Document No. 1117.
³ Not printed.
⁴ i. e., Szakasits.

No. 822

874.00/7-2745 : Telegram

The Representative in Bulgaria (Barnes) to the Acting Secretary
of State ¹

SECRET

US URGENT

SOFIA, July 27, 1945—10 a. m.

385. Next following telegram (386 ²) is translated text of letter
sent yesterday by Nikola Petkov, regularly elected secretary of
Bulgarian National Agrarian Union, Asen Stamboliiskiy regularly

¹ The gist of this message was included in two telegrams from Grew to Byrnes:
No. 150 of July 28, (file No. 800.00 Summaries/7-2845) and No. 156 of July 30
(file No. 874.00/7-2745).
² Document No. 823.
elected editor of the union’s newspaper and Georgi Yurdonov, Chief Agrarian Prime Minister [sic], with copies to chairmen and members of ACC and to Regents.

Document constitutes in effect an appeal to the three principal Allies to assure Allied control over forthcoming elections and application to Bulgaria of Yalta declaration on Liberated Europe. It is the fulfillment of the prediction of Senior Regent Ganev, reported in my telegram No. 382, July 25. The document deals clearly but in an entirely unprovocative manner with every doubtful point in the present political situation. These points have been elaborated on in my recent political telegrams to Department. I believe that I can say without any reservation whatever that the letter accurately reflects the election views of all democratic currents of opinion in the country; also that the great mass of the Bulgarian people is democratically minded and urgently desires that the elections be held as requested in the letter to the Prime Minister. The “independents” in the present government, such as Finance Minister, Stoyanov, and the Cheshmeddieff Socialists are making common cause with the Agrarian leaders behind the letter and yesterday they and the Petkov Agrarians succeeded in filing joint opposition list of candidates in most of the electoral districts.

If yesterday’s appeals or [for] the application of the Yalta Declaration to Bulgaria and for Allied control over the forthcoming elections receives the attention at Potsdam that it merits, the Bulgarian political situation should take on a much brighter aspect. I, therefore, urge most strongly that the Department give this appeal its closest attention and that US influence at Potsdam be exerted to the utmost in support of the appeal. The first results of the document are bound to be repressive measures by the Communists acting through the militia. Early encouraging signs of US support should do much to sustain Bulgarian Democrats in the courage which they have at long last found.

Repeated to Moscow as No. 199.

Barnes

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* Not printed.
* Kimon Georgiev.
The Representative in Bulgaria (Barnes) to the Acting Secretary of State


386. Following is Petkov, Stamboliski, Yurdanov letter to Prime Minister (please see my 385 July 26 [27] 2):

"The elections which are about to be held in Bulgaria have great historical importance in view of the domestic and international position of this country. In order to justify this importance, however, they should be completely free and democratic and should be conducted in accordance with our constitution and with principles proclaimed at Yalta, in order that they may give the Bulgarian people the opportunity to express their true will regarding their political destiny.

The voters [government], fully conscious of the importance of the coming elections, has through the Minister of Interior 3 taken a clear and firm position regarding the complete freedom of the elections and has taken all possible measures to the end that this freedom be fully guaranteed. We nevertheless believe that in view of the present domestic and international position of our country it is not sufficient that the government itself be aware of the absolute necessity of free elections. It is much more important that the voters themselves be imbued with the conviction that the elections will in fact be free and that they will run no risk whatsoever in freely expressing their will as voters. It is no less important that public opinion here and abroad be imbued with this same conviction.

At the same time it is no secret that, despite all announcements and expression of goodwill on the part of the government, the Bulgarian voters and foreign public opinion are by no means convinced that the freedom of elections, so authoritatively asserted by the government, will be respected by all. The Bulgarian voter is still under the impression of certain fresh memories of revolutionary excesses and recent evidence of the inadequate discipline of the organs of the militia. He [is] still under the influence of impressions resulting from the present international position of our country, which is as yet place[d] in the position, although in a mild form, of a defeated country.

For these reasons we permit ourselves to present to you the following petition: We request that you ask the Allied Control Commission in Bulgaria to agree that the elections should be held in Bulgaria under Allied control. Such control, in our view is the logical consequence of our present international position. It also derives from the principles which were proclaimed at Yalta, and which are the responsibility not only of ourselves but also of the great democracies. They, no less than we should be convinced that the elections are in fact free and express true will of people. Moreover, such a control

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1 The gist of this message was included in telegram No. 156 of July 30 from Grew to Byrnes (file No. 874.00/7-2745).
2 Document No. 822.
3 Anton Yugov.
would strengthen the faith of Bulgarian voter that, despite the
domestic and international position of our country, the freedom of
elections is fully guaranteed.

It is possible that the organization of such a control may require
the postponement of the elections. In this we see no inconvenience.
On the contrary such a postponement would greatly contribute to
the freer and fuller expression of the will of the people. It would
make it possible for the elections to be held at a time when the
Bulgarian voters, the great majority of whom are agricultural workers
engaged in the active cultivation of their fields until the middle of
October would be able to take a greater part in the pre-election de-
liberations and in the elections themselves. Such a postponement
would also permit a more complete organization of the elections, with
a better supply of paper and more time to send out electoral appeals
manifestos and so on. It would also provide the government with a
further opportunity to improve its discipline, particularly with regard
to the militia, and to make the latter, in its entirety and in every
one of its organs, a thoroughly prepared instrument, fully subordinated
to laws of land. Finally, it would provide an opportunity for the full
and definitive reestablishment of the constitutional freedoms, the
freedom of speech, of press and of association, without which freedoms
no free elections are possible.

We hope that this petition of ours, which is justified by international
and domestic considerations and which is in full accord with the
international and domestic juridical needs of our country, will be
given due consideration by you”.

Repeated to Moscow as No. 200.

Barnes

No. 824

740.00119 Potsdam/7-2845

The First Secretary of Embassy in Portugal (Cannon) to the Assistant
Secretary of State (Dunn)


Memorandum

Subject: Proposed Statutes for ACC for Hungary.

The document covered by Colonel Gerhardt’s memo of July 23 \(^1\)
is a draft of statutes for the Allied Control Commission in Hungary,
to replace, for the “second period” of the armistice, the statutes
adopted at the time the armistice was negotiated.

This matter is in active discussion at the present Conference, on
the basis of letters of modifications in the armistice control procedure
in Rumania, Bulgaria, Hungary and Finland. We understand that

\(^1\) Document No. 809.
Mr. Molotov will present a paper on the subject at the next meeting of the Foreign Secretaries.²

It is suggested that the SWNCC draft be regarded as superseded by events, or, if that is not administratively practicable, that it be held pending, for revision in the light of the discussions now in course.

The State Department could entirely approve this draft. The discussions now taking place indicate, however, that the Soviet Government will probably be unwilling to accept some of these provisions.

The Delegation is holding the paper for use in the current negotiations.

C. W. CANNON

² See document No. 829.

No. 825

740.00119 Control (Rumania)/7-2345 : Telegram

The Acting Secretary of State to the Acting Representative in Rumania (Melbourne)

SECRET

WASHINGTON, July 28, 1945—1 p. m.

378. New procedure for ACC set forth in Genl Schuyler’s M-1250 July 16 ¹ and your despatch no. 410 July 17 ² is of course definite improvement over that which has been in effect heretofore. Organization of ACC is, however, a question which we regard as requiring agreement of all three Allied Govts signatory to Armistice and not one for determination by Soviet Govt alone. Procedure outlined in M-1250 should therefore be regarded as Soviet proposal rather than as definitely established statutes for ACC for second period.

Soviet Govt has proposed for Hungarian ACC procedure whereby directives to local Govt require agreement of three chief reps. As there is still a possibility that tripartite agreement may be reached on application of same principle in Rumania, we think it would be advisable for Genl Schuyler to defer presentation of American views on specific articles of Armistice mentioned in his tel M-1285 July 24 ³ (reurtel 495 July 23 ⁴) pending results of discussion on basic principles for operation of satellite ACC’s which may be taking place at Potsdam.

At such time as interpretation of various articles of Armistice may be discussed in ACC after tripartite agreement has been reached on its

¹ See document No. 797, footnote 3.
² Document No. 797.
³ Document No. 812.
⁴ Document No. 811.
organization and procedure, Genl Schuyler should of course feel free to present this Govt’s views when occasion arises. On the six articles mentioned in his M-1285 his views are in general concurred in by Dept. We would not, however, regard any specific protest on Article 7 as called for at the present time since Soviet Govt has several times been apprised of this Govt’s position and matter is under discussion at governmental level as part of question of defining war booty in all ex-enemy countries. Dept approves protests already made by Schuyler under Article 8 on delivery of German-held oil shares and bank stocks (see Schuyler’s M-1264 July 18 and Deptel 372 July 25 5). Dept does not wish to dispute at this time claims of Soviet High Command to subsistence for troops in Rumania under Article 10 in view of clear wording of that article and absence of limitation of obligation to period of hostilities. Dept agrees with Genl Schuyler’s interpretation of Article 12, his recommendation on censorship policies under Article 16, and his proposal respecting the return of Rumanian navy.

This telegram has been cleared with War Dept.

GREW
S[amuel] R[ieber]

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No. 826

740.00119 Potsdam/7-2945

The First Secretary of Embassy in Portugal (Cannon) to the Director of European Affairs (Matthews) 1

BERLIN CONFERENCE, July 29, 1945.

MEMORANDUM

Here are some new items, if the Soviet Government reopens the matter of how well everything is going in the Balkans:

1. When our representative on the ACC in Hungary asked the ACC to approve the entry of 6 newspaper correspondents, he received a reply (June 11) saying:

“We cannot agree to workers of this category coming as the present situation in the Allied Control Commission does not contemplate the presence of press correspondents on the territory of Hungary.”

(Note: The foregoing quotation is from the British files, but we have no reason to question its accuracy. I had not seen the text of the letter when I left Washington in June. In any event, the correspondents have not been admitted.)

1 Printed from a carbon copy on which there is an uncertified typed signature.

[No. 826]
2. On July 18 General Schuyler, our representative in Rumania asked the Soviet Chairman of the ACC for a minor courtesy (facilities for obtaining coal for a boat to visit the lower Danube). General Susaikov replied that his authority extends no further than Galatz (the first of the places to be visited), though General Schuyler knows that the ACC has representatives at the other places. (War Department tel. M–1296 July 25 2).

3. Our representative at Bucharest telegraphs that the Soviet officials on the ACC in Rumania contend that the revised ACC procedure does not permit our mission to decide "unilaterally" the number of its own personnel.3

This is important, since the Soviet Delegation here insists that the Conference need not take up the matter, because under the revised statutes everything is now wonderful. Note that the language of the Soviet revision of the statutes 4 is unequivocal on this point:

"The British and American representatives in the ACC will have the right to determine the numbers and composition of their own missions."

In connection with the foregoing, and with the argument on freedom of the press, it is interesting to have another look at the Soviet paper (see attached) in rejoinder to our paper on Liberated Europe.5

C. W. CANNON

2 Document No. 815.
3 See document No. 820.
4 See the enclosure to document No. 797.
5 Not attached. See document No. 804.

No. 827

874.00/7-3045: Telegram

The Representative in Bulgaria (Barnes) to the Acting Secretary of State 1

SECRET

SOFIA, July 30, 1945—6 p. m.

URGENT

399. From the time it has been clear that Prime Minister Georgiev would string along with Communists in their determination to hold general elections on August 28 on basis of united lists I have been trying to satisfy myself as to Prime Minister's motives other than fact that Zveno is not a real political party and by making common cause with Communists and their Agrarian and Socialists [sic] stooges

1 The gist of this message was included in telegram No. 175 of August 1 from Grew to Byrnes (file No. 800.00 Summaries/8–145).
Zveno stands to gain far larger representation (47 seats it now appears) in Parliament than it could otherwise hope to obtain.

The nature of Prime Minister's remarks in stormy Cabinet session provoked by Petkov's letter (my telegram 393, July 28) demanding tripartite Allied control of elections has served to confirm me in following estimation of Prime Minister's view.

1. He detests the British. He believes support given by them at that time to King Boris was largely responsible for his ejection from power early in 1935 and his subsequent imprisonment by King. He ignores fact his head and that of Damian Velchev were saved by British intervention with King.

2. He sees world as largely divided between three great powers and their respective spheres of influence. It is his belief Balkans fall squarely within Russian sphere. He considers himself too much of a realist to accept [accept?] the view that spheres of influence are outmoded and world today is confronted with extremely difficult problem of finding a way by which two such disparate systems as that of western democracies and Russian totalitarianism can live side by side. He cannot be persuaded that estimate of US with respect future possibilities will be determined largely, at least for time being, by whether or not Russia in its policy in eastern and South Eastern Europe will live up to its obligations under Yalta declaration on liberated Europe. Instead he considers the interest of US in what is happening in eastern and South Eastern Europe to be purely platonic and therefore an interest we would be prepared to forego for advantages of a concrete nature in areas which he considers to be American spheres of interest. The fact for example that US supports participation by Russia in matter of Tangier merely means to him that war has brought home to US the importance of Morocco to it, hence United States seeks Russian support in problem of Tangier against British and French policy. To him world wide cooperation in interests of world wide security is a formula designed only to dupe people who react against war and who are not sufficiently realistic to accept his estimate of forces that really shape destiny of world.

3. While a true conservative in his views of the sacredness of private property (otherwise he could never have held highest political office in country) he is a Simon pure totalitarian when it comes to party govt and state control of private initiative. He believes devoutly in one party system for countries such as Bulgaria and he hopes that his support of govt control in the economic field can save for Bulgaria the principle of private property from Communist doctrine.

4. Given the foregoing, it is not unnatural that he should be prepared to go along with Communists who want to take country full way along Soviet road and who will never be content merely with a permanent pro-Soviet orientation of Bulgarian foreign policy. The real struggle in this country between the Communists and democratic

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2 Not printed; for the letter referred to, see document No. 823.
3 See vol. 1, documents Nos. 661, 667, 675.
currents of opinion is the determination of the former to assure a pro-Soviet foreign policy by a Soviet internal structure whereas the democratic elements accepting as a matter of fact the necessity for a pro-Soviet orientation in foreign policy, do not recognize as a prerequisite to the assurance of such a policy the abandonment of democratic procedures in the internal life of the country.

5. All other things being equal the Prime Minister would probably favor an internal totalitarian structure somewhat different from the Soviet formula but he also believes that something in the nature of the permanent occupation of Bulgaria by Russian forces is foreordained by Russia’s interest in the Straits. Hence his willingness for something in the nature of an avowed marriage between Zveno and the Communists. At yesterday[']s official opening of the FF (Fatherland Front) electoral campaign he emphasized the need for these two disciplined groups to work together, especially as the Agrarians and the Socialists are embroiled in internal strife. The foregoing estimate explains the Prime Minister’s violence against Petkov at the Cabinet Meeting three days ago. Petkov defended himself against the accusation of treason which was the Prime Minister’s characterization of his demand for tripartite Allied control of elections, by referring to the “hundreds of times” when the Prime Minister had informed the Cabinet that “General Biryusov desired so and so” and by a specific reference to the time when the Communists had had General Biryusov convene the Cabinet to tell its members “as slaves” that their decision to reintegrate officers and men into the army no matter what their past had been if they were willing to fight against Germany, must be revoked.

The Prime Minister replied that Petkov’s sin had not been merely venial but had been a mortal sin because he had distributed copies of his letter to members of the ACC (Allied Control Commission) thus giving the British and Americans an opportunity to intervene between the Bulgarian people and their liberator and proven friend. The Prime Minister added that Petkov would have to answer for his crime before a court of justice. Petkov replied by saying that his resignation was available to the Prime Minister so that the process of his trial might be facilitated by not confronting the court with the problem of trying a Minister of State. The Cabinet session ended with a statement of the Prime Minister that he had taken note of Minister Petkov’s statement, but since then he has not asked Petkov for his resignation in writing. However at yesterday[']s opening of the FF electoral campaign the four speakers, the Prime Minister[,] Costov the Secretary General of the Communist Party[,] and the Communist stooges Obbov and Neikov, concentrated on making effective the charge of treason against Petkov.

Yesterday I picnicked clandestinely in nearby mountains with Petkov and his immediate entourage. Bulgarian political leaders either of the FF or those in opposition to it are very chary of appearing publicly to have any intimate ties with the British or ourselves. I found Petkov still full of courage but very fearful that if no sign is
forthcoming from the US and UK and particularly from the US, of
favorable reaction to his resistance to FF-rigged elections, the inde-
pendents such as Stoyanov and the Socialist Chesmedjiev, will waiver
[waver] in their loyalty to his leadership in this matter. As he said,
it is quite impossible to maintain heart in the face of all the pressure
that can be brought to bear when all means of public expression are
completely controlled by the Communists and Zveno and when at the
same time no public encouragement is forthcoming from those coun-
tries that declared at Yalta that democratic procedures should be
applied to liberated Europe. He told me that he and his associates
had been able to file lists of candidates only in 16 of the 23 electoral
districts. He said efforts of his followers to file in Varna district had
resulted in arrest of over 300 persons. He anticipates that during
five day period of delay during which the Govt may change opposition
lists, beatings and charges of Fascism will bring about the invalidation
of all opposition candidatures except a few which the Govt may desire
to maintain in order to sustain argument of the existence of any
opposition and therefore that free elections are being offered to the
Bulgarian people for the first time in their history. The charge of
Fascism against the supporters of Petkov was freely made yesterday
by every participant in the opening ceremony of the electoral campaign.

I realize that this is a very long telegram on what may quite natu-
really appear to many in the Dept as a situation very remote from real
and active American interests. I report at such length in the hope of
still convincing the Dept of the desirability of some public statement
or communication to the Bulgarian Govt of our views on the elections
and such problems as recognition of Bulgarian Govt and the negotia-
tion of peace with it. I judge that the Russian point of view at Pots-
dam has been that all is well in Bulgaria and that no need emits [exists?] for
tripartite control of elections. Zveno and Communists confidently
count on the Russians “getting away” with this point of view. If the
Russians do, every American in this part of the world will blush for
years to come when he meets an honest man. Communist Party
Secretary General Kosnov [Kostov] yesterday inspired his audience by
statement that “if Bulgarian people give FF their confidence and
possibility of continuing in power for period of 10 to 15 years that is to
say for 2 or 3 five year plan periods there will be factories everywhere,
hydroelectric power stations[,] heavy industry[,] greatly developed agri-
culture and housing projects and city planning such as one has never
dreamed of”. I should like to add my own belief that if by general
elections on August 26, the Communist Party is permitted to consoli-
date its hold in this country, Kostov’s promise that “Bulgaria will

[No. 827]
acquire an entirely new visage” will be realized in terms of months so far as FF opponents and their families are concerned. It is my firm conviction if present totalitarian Govt can later claim to hold office by virtue of general elections the drastic measures on part of the militia and peoples court against the democratic opposition will be as the rehearsal of amateurs compared to the finished performance of a highly professional troupe.

Repeated to Moscow as 206.

Barnes

No. 828

740.00119 (Potsdam)/7-3145

Proposal by the United States Delegation

[Babelsberg,] July 31, 1945.

Revised Allied Control Commission Procedure in
Rumania, Bulgaria, and Hungary

U. S. Draft

The Three Governments have taken note that the Soviet Represen-
tatives on the Allied Control Commissions in Rumania, Bulgaria
and Hungary, have communicated to their United Kingdom and
United States colleagues proposals for improving the work of the
Control Commissions, now that hostilities in Europe have ceased.
These proposals include provisions for regular and frequent meetings
of the three representatives, improved facilities for British and Amer-
ican representatives, and prior joint consideration of directives.

The Three Governments agree that the revision of the procedures
of the Allied Control Commissions in these countries will now be
undertaken, using as a basis of discussion the above-mentioned pro-
posals, and taking into account the interests and responsibilities of
the three Governments which together presented the terms of armis-
tice to the respective countries.

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1 Submitted at the Eleventh Plenary Meeting, July 31. See ante, p. 525. It is
also referred to as a United States draft in the minutes of the Twelfth Plenary
Meeting, August 1. See ante, p. 575. A copy in the Truman Papers, however,
without date and without the subheading “U. S. Draft”, bears the manuscript
notation: “Later Committee Proposal”.

No. 829

740.0019 Control (Rumania)/7-3145

Proposal by the Soviet Delegation
[Translation]

[BALELSBERG,] July 31, 1945.

REVISED PROCEDURE OF THE ALLIED CONTROL COMMISSION IN
RUMANIA, BULGARIA AND HUNGARY

The Three Governments have noted that the Soviet representatives in the Allied Control Commissions in Rumania, Bulgaria and Hungary have communicated to their colleagues of the United Kingdom and of the United States proposals on the improvement of the work of the Control Commissions when the hostilities in Europe have terminated.

The Three Governments have agreed that a revision of the procedures of the Allied Control Commissions in these countries will now be made, taking into consideration the interests and the responsibilities of the Three Governments which jointly presented the conditions of the armistice to the respective countries and taking as a basis with respect to all three countries the proposals of the Soviet Government for Hungary, which are enclosed herewith.2

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1 This paper appears to be a Soviet revision of document No. 828 and to have formed the basis of the section of the Protocol on this subject, although the English text of this section of the Protocol used wording from document No. 828 rather than from this translation. See document No. 1383, section xii (xii), and ante, p. 575.

2 For a translation of the enclosure, see document No. 1383, annex to section xii (xi).

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No. 830

874.00/7-3145 : Telegram

The Representative in Bulgaria (Barnes) to the Acting Secretary of State

SECRET

SOFIA, July 31, 1945—4 p. m.

PRIORITY

401. The FF (Fatherland Front) pack is now in full cry after Petkov.

My next following telegram No. 4021 reports portions of radio speech by Tsola Dragoicheva and text of an editorial in this morning[']s FF newspaper. The fact that Petkov's letter was a request of [to?] the Prime Minister that he, the Prime Minister, assure freedom of elections by arranging for Tripartite Allied control has of course not been revealed by Petkov's pursuers and he (Petkov) has no effective

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1 Not printed.
means of bringing the nature of the document in question to attention of Bulgarian people. It is just this situation that senior Regent Ganev had in mind when he suggested several days ago that the “Voice of America” in Bulgaria reveal the substance of Petkov’s letter to the Bulgarian people (my telegram 395, July 28 [ ]). No objective observer here can doubt that lives of Petkov and his leading supporters are in danger. Every friend of democracy in Bulgaria is looking to Potsdam for some sign of hope.

Barnes

* Not printed.

**No. 831**

874.00/7-3145 : Telegram

The Representative in Bulgaria (Barnes) to the Acting Secretary of State

SECRET

SOFIA, July 31, 1945—6 p.m.

US URGENT

403. I have just been told the Prime Minister has informed Regents he has “accepted” Petkov’s resignation and decree confirming Petkov’s departure from Govt has already been signed. I fear in absence of any encouraging signs from Washington, London and Potsdam of Anglo-American interest in Bulgarian election situation Petkov’s “departure” may not be followed, as I had hoped it would be, by resignations of Stoyanov, Cheshmedjieff, Pavlov and Derzhanski. I feel very strongly that time has come when the US Govt is really prepared to do about local political and election situation. If for some reason we can not make a stand against measures that will force total disintegration of democratic elements in this country I believe that I and the local leaders who have been resisting the Communists should be told the facts. . . .

Rptd to Moscow as 210.

Barnes

**No. 832**

874.00/8-145 : Telegram

The Acting Secretary of State to the Secretary of State

SECRET

[WASHINGTON,] August 1 [1945.]

172. While we realize that during closing stages of conference there may be no opportunity for further consideration of situation in Bulgaria, a series of telegrams just received from Sofia of the same
tenor as those summarized in my 156, July 30, as supplemented by further report included in general summary sent you yesterday suggest that Petkov’s appeal to Prime Minister and ACC for allied control of elections may constitute last chance for Western powers to support exercise of democratic procedures in those elections.

Barnes now states that Fatherland Front is in full cry after Petkov, that Prime Minister has informed regents he has “accepted” Petkov’s resignation from cabinet, and that he fears in absence of encouraging signs from Washington, London or Potsdam of Anglo-American interest in elections Petkov’s supporters in Government may waver. He adds that every friend of democracy in Bulgaria is looking to Potsdam for some sign of hope.

Accordingly, I shall appreciate instructions as to anything which Department in the light of the discussions at Potsdam might tell Barnes for his guidance prior to the election on August 26. Barnes and his British colleague state in connection with British proposal to ask for meeting of ACC for consideration of Petkov’s appeal that they are of the opinion that only effective action US and UK can take would be immediate public declaration and communication to Bulgarian Government to effect that neither government could contemplate official relations and the signing of peace with a Bulgarian government that did not issue from free democratic elections. British representative in Sofia is recommending this course to his Government.

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1 Not printed. This telegram summarized documents Nos. 822 and 823.
2 Not printed.
3 W. E. Houstoun-Boswall.

Editor’s Note.—For the final Conference texts on Allied Control Commission procedures in Bulgaria, Hungary, and Rumania, as included in the Protocol and Communiqué, see post, pages 1494, 1511. For the final Conference texts on the conclusion of peace treaties and the establishment of diplomatic relations with Bulgaria, Finland, Hungary, and Rumania and on freedom of the press in those countries, as included in the Protocol and Communiqué, see post, pages 1492, 1509.

[No. 832]
Memorandum by the Executive Secretary of the Central Secretariat
(Yost)¹

TOP SECRET

WASHINGTON,] August 8, 1945.

BERLIN CONFERENCE

ROMANIA, BULGARIA, HUNGARY AND FINLAND

Soviet Policy

A number of aspects of Soviet policy toward these countries were brought out during the Conference. Stalin indicated that the basic objective of his policy in this regard was to separate these countries permanently from Germany. The first method for accomplishing this aim had of course been the use of force but he felt that if the Allies confined themselves to the use of force alone these countries might ultimately be driven back into the arms of Germany. He therefore maintained that in order to detach these countries permanently from Germany it was necessary to forget thoughts of revenge and to take all appropriate measures to bring these countries into free collaboration with the Allies.

As far as their present governments are concerned, the Soviet position was that these governments are “democratic” and are such as to have fulfilled the Yalta Declaration on Liberated Areas. (Light is shed on this characterization by Stalin’s remark that “if a government is not Fascist it is democratic”.) Stalin on one occasion referred to them as “closer to the people” than the present Government of Italy. Molotov maintained that in all these governments the Communist Party formed only a small minority. The Soviets urged at great length that these governments be recognized either at once or in the very near future by the United States and Great Britain. They were unwilling to accord to Italy more favorable treatment in the easing of the armistice terms and other matters than to Rumania, Bulgaria, Hungary and Finland, which they claimed had made a greater contribution to the Allied war effort.

The Soviets took the position that it was superfluous and undesirable for the Great Powers either to supervise or to observe the elections in those countries. They stated that the elections in Finland had been “free and unfettered” and that it therefore followed that they would also be so in the other three countries. The Soviets agreed that it was desirable, in view of the termination of the war, to revise the procedures of the Control Commissions in these coun-

tries but stated that the proposals which their representatives on
these Commissions had just put forward constituted a satisfactory
revision. They would not admit that United States and British
representatives in these countries had been unduly restricted in the
past and in fact Stalin described Churchill's catalog of their diffi-
culties as "all fairy tales."

The Soviets agreed that termination of the war also would make
it possible for Allied press representatives to have greater facilities in
these countries but were not willing to take action in this regard
beyond the statement contained in the communiqué that the Con-
ference "had no doubt" that these greater facilities would be ex-
tended. They were furthermore unwilling to support the same facili-
ties for Allied radio representatives as for Allied press representatives.

British Policy

The British policy on this question as presented at the Conference
was closely parallel to United States policy.

2 See document No. 309, printed in vol. i, and documents Nos. 796 and 797,
ante.

3 See document No. 1384, section x.

USE OF ALLIED PROPERTY FOR REPARATIONS OR WAR BOOTY

No. 834

871.636/6-2945: Telegram

The Acting Secretary of State to the Chargé in the Soviet Union (Kennan) 1

SECRET

WASHINGTON, July 16, 1945—5 p. m.

US URGENT

1621. Embassy may have received Dept's Instruction No. 678
of July 2 2 containing purported text Russo-Rumanian economic
agreement of May 8 3 summarized in Bucharest's tel May 17 reported
[repeated?] to Moscow as 97. 2 Dept's A-276 June 29 4 contains
instructions for protest to Soviet Govt on removal of oil equipment
from Rumania and gives general guidance for further discussions with
Soviets on petroleum matters. Bucharest's telegram of July 8 re-
peted to Moscow as 121 2 indicates possibility of new "fait accompli"
based on agreement of May 8.

Dept now feels that strong presentation of views of this Govt both
about the economic pact and the oil arrangement foreshadowed in
Bucharest 121 to you should not be delayed pending receipt of A-276.

1 The gist of this message was included in telegram No. 43 of July 17 from Grew
to Byrnes (file No. 800.00 Summaries/7-1745).

2 Not printed.

3 Signed at Moscow. Text in British and Foreign State Papers, vol. clx,
p. 876.

4 Document No. 323, printed in vol. i.

[No. 834]

307524—61—Vol. 2—58
You are therefore requested immediately inform appropriate Soviet authorities of this Govt's concern over the possible application of the Russo-Rumanian trade pact in view of the policy of United States Govt of conducting trade with every nation free of discrimination arising from exclusive economic arrangements between nations, and also in view of our common interest in an equitable allocation of products in short supply in reconstruction period during which Soviet presumably wishes United States' cooperation.

Please further inform Soviet authorities that conclusion of any arrangement affecting Rumanian oil or other industries such as indicated in Bucharest 121 July 8 would by same token be of equal concern to this Govt and should be deferred pending forthcoming tripartite discussions. This issue and the principles involved therein are on the United States agenda.

With specific reference to petroleum, please point out sacrifices accepted by American people in rationing of fuel oil and gasoline substantially restricting their military, industrial, and civilian consumption and sacrifices accepted by U. S. oil industry in allocation of equipment to the U. S. S. R. You should point out that oil picture in Rumania is only one aspect of a world-wide problem and that conclusion of treaties granting exclusive rights and of monopolistic corporate arrangements between Soviet and Rumanian Governments as well as arbitrary measures such as removing equipment, monopolizing petroleum supplies and delaying entry of American petroleum experts may force the United States to reconsider its policies which have hitherto been so favorable to Soviets with respect to supplying petroleum, technical data, equipment and products.

Please inform Harriman.

Repeated to Bucharest as 354 of July 16.

Grew


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1 Loftus' initials as the official authorizing the dispatch of this message are not in his own handwriting, although he personally initialled the message elsewhere.

738 CONFERENCE DOCUMENTS AND SUPPLEMENTARY PAPERS

No. 835

871.0903/7-1745: Telegram

The Chargé in the Soviet Union (Kennan) to the Acting Secretary of State 1

SECRET

Moscow, July 17, 1945—4 p.m.

2597. By letter to Vyshinski of July 11, British Ambassador 2 stated British Government could not accept Soviet Government

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1 The gist of this message was included in telegram No. 65 of July 19 from Grew to Byrnea (file No. 800.00 Summaries/7-1945).

2 Sir Archibald Clark Kerr.
views expressed in February 26 Foreign Office note on removal oil field
equipment from Rumania. (To Dept, repeated Bucharest 91,
London 368) Clark Kerr protested continued Soviet requisitioning
and removal British equipment.

KENNAN

No. 836

740.00119 EW/7-1845: Telegram

The Chief of the Division of Eastern European Affairs (Durbrw) and
the Acting Director of the Office of Financial and Development Policy
(Phelps) to the Director of the Office of Financial and Development
Policy (Collado) 1

SECRET

US URGENT

51. For Collado from Durbrw and Phelps.

If subject matter of Department’s document on “American and
Russian Economic Relationship in Countries of Eastern Europe” 2
should come up for discussion Department suggests emphasis on three
points not made explicit in recommendations:

First. Distinction between property wholly or substantially owned
by United States nationals, and lesser property interests, is not to be
construed as meaning that payment is not to be made for such lesser
interests. While we may not be in a position, on the basis of the
interests of American nationals, to oppose removals of property in
which those nationals have less than a substantial interest, we should
state our position so as to avoid any implicit waiver of right to
compensation in any case merely because of degree of interest.

Second. Our objection to removals of property wholly or sub-
stantially owned by our nationals covers removals either as war booty
or for reparation.

Third. Our right to compensation for value, regardless of size, of
interest in property removed in past or future includes removals
both as war booty and for reparation.

1 Sent to the Secretary of State at Babelsberg over the signature of Grew.
2 Document No. 322, printed in vol. 1.
SECRET

P (TERTINAL) 10

THE REMOVAL AS BOOTY OF ALLIED INDUSTRIAL EQUIPMENT
ESPECIALLY IN ROUMANIA

MEMORANDUM BY THE UNITED KINGDOM DELEGATION

Large sums of British capital are invested in companies producing oil in Roumania. In October, 1944, the Soviet authorities in Roumania removed large quantities of equipment from these British companies and from other Allied-owned companies, on the grounds that it was war booty.

2. The resulting damage to British interests was very considerable. Furthermore, the action taken has reduced the total output of Roumanian oil wells by one million tons a year, at a time of grave oil shortage. As a result, Roumania's capacity to pay reparations and the revenue earning capacity of British and other Allied capital was diminished.

3. In January, 1945, the Soviet Government agreed to discontinue removals of equipment. But the equipment already removed was not returned, nor did the Soviet Government agree to regard it as deliveries on account of reparations.

4. Further oil equipment was removed from a British-controlled company in April.

5. His Majesty's Government ask that the equipment which has been removed from these British companies shall be returned as soon as possible. Furthermore, they ask that no further action damaging to these British companies shall be taken by the Soviet authorities, and that the consent of the British representative on the Allied Control Commission in Roumania shall be sought before any action in their regard is undertaken.

TERMINAL, 19th July, 1945.

1 At British request, the subject of this memorandum was placed on the agenda for the Third Plenary Meeting by the Second Meeting of the Foreign Ministers, July 19. See ante, pp. 106, 130.
No. 838

871.6963/7-1945: Telegram

The Chargé in the Soviet Union (Kennan) to the Acting Secretary
of State

SECRET

Moscow, July 19, 1945—midnight.

2634. Letter went forward to Foreign Office in conformity with
Department's 1621, July 16, warning that exclusive Soviet Rumanian
trade pact and monopolistic agreements on oil would cause serious
concern in United States Government and might compel United
States Government to reconsider present favorable oil policy toward
USSR. (To Department, repeated Bucharest 94, London 372).
Harriman has been informed.

Kennan

1 The gist of this message was included in telegram No. 106 of July 23 from
Grew to Byrnes (file No. 800.00 Summaries/7-2345).
2 Document No. 834.

No. 839

740.00119 Potsdam/7-2345

United States Delegation Working Paper

[BAEBELSBERG, July 22, 1945.]

USE OF AMERICAN PROPERTY FOR SATELLITE REPARATIONS OR
"WAR BOOTY"

1. The burden of reparation (and "war booty" by broad Soviet
definition) should not fall on American nationals.

2. The Soviet Government should make such adjustments in its
reparations demands and its economic and trade relationships to
insure that the burden of reparation not be shifted to American
nationals because of the inability of the satellite to make adequate,
effective, and prompt compensation for loss of American property.

3. Capital Equipment. We object to its being removed as repara-
tion, "war booty", or under any other guise. Loss would accrue
to American nationals as a result of destruction of plants and the
consequent loss of markets and trading connections. Seizure of
American property makes impossible the fulfillment by satellite of its
obligation under the armistice to restore intact the rights and interests
of the U. S. and its nationals.

1 The source copy bears the following manuscript notation by Mosely:
"Collado July 22, 1945 Potsdam".

[No. 839]
The United States looks to the U. S. S. R. for the return of any equipment already removed and no further removals. Where such equipment will not or cannot be returned by the U. S. S. R., the U. S. will demand of satellite adequate, effective and prompt compensation to American nationals, and that such compensation have priority equal to that of the reparations payment.

These principles apply to all property wholly or substantially owned by American nationals, or to property wholly or substantially owned by Allied nationals in which Americans have an interest. While the U. S. may not be in a position to oppose removals of property in [which] the American as well as the entire Allied interest is less than substantial, adequate, effective, and prompt compensation must nevertheless be made.

4. Current Production—While U. S. cannot oppose reparation out of current production of American investments, the satellite must provide immediate and adequate compensation to the American nationals including sufficient foreign exchange or products so that Americans can ultimately recover reasonable foreign currency expenditures and transfer a reasonable return on their investment. Such compensation must also have equal priority with reparations.

2. [5.] U. S. S. R. should agree not to include [conclude] treaties, agreements or arrangements which give to the U. S. S. R. an exclusive or monopolistic position in the trade, raw materials, or industry of these countries, or which deny to American nationals access, on equal terms, to such trade, raw materials and industry; and appropriately to modify existing arrangements which have that effect.

No. 840

Department of the Army Files: Telegram

The Chief of the Military Representation on the Allied Control Commission for Rumania (Schuyler) to the War Department

[Extract 1]

SECRET

Bucharest,] 24 July 1945.
PRIORITY

M 1285. . .

1. Under Article 7 2 the ACC has required the delivery to Russia as “War Booty” of considerable quantities of industrial equipment including oil pipe, tubing and casing, on the ground that such equipment originated in Germany. I propose to protest that [the] application of this policy to any industrial equipment, regardless of its

1 For the full text of this message, see document No. 812.
2 Of the armistice with Rumania signed at Moscow, September 12, 1944 (Executive Agreement Series No. 490; 59 Stat. (2) 1712).
origin, which can be shown to have been actually purchased and paid for prior to 23 August 1944.\textsuperscript{3} I am informed that a similar protest has been made to the Soviet Government by the US Ambassador in Moscow.\textsuperscript{4}

\textsuperscript{3} i. e., before the surrender of Rumania.
\textsuperscript{4} W. Averell Harriman. See vol. r, document No. 323.

No. 841

740.00119 (Potsdam)/7-2445

Proposal by the British Delegation \textsuperscript{1}

SECRET

REMOVAL OF ALLIED INDUSTRIAL EQUIPMENT ESPECIALLY IN ROUMANIA

NOTE BY THE SECRETARY OF STATE FOR FOREIGN AFFAIRS

Our case can, I think, be stated simply as follows.
There are only two articles in the Roumanian Armistice under which property can be removed from Roumania.
One of these is Article 11 which provides for the payment of reparations. The Soviet Government do not claim that the oil equipment was removed under this Article, but that it was taken as booty.
The second is Article 7, which provides that the Roumanian Government should hand over as "trophies" war material of Germany and her Satellites located on Roumanian territory. (It is clear from Article 1 that Satellites here exclude Roumania).
It is clear therefore that the only property which can be claimed as booty is German property or the property of another Satellite of Germany.
The question is whether any of the property now in question is German property. The Soviet Delegation have not claimed that any equipment acquired by Allied nationals before the war can be regarded as German property and I cannot understand why this property has not been returned at once without further argument.
The more difficult case is that of property acquired by the companies during the war when they were under German management. But even this is clear if we examine it carefully. The companies at the time when they were seized by the Germans had certain assets (money, equipment, oil concessions). When under German management, they parted with some of these assets (money or oil) and received from

\textsuperscript{1} Submitted at the Seventh Meeting of the Foreign Ministers, July 24. \textit{See ante}, p. 328. This paper was apparently designated by the British Delegation as P. (Terminal) 40 (\textit{see post}, p. 745), although this number does not appear on the source copy.

[No. 841]
Germany other assets in return (equipment). Thus the equipment was indubitably the property of the company at the time of liberation.

If any British company had on its premises property which clearly belonged to Germany and had merely been deposited there for custody, its removal as booty would of course be justified.

As a means of settling this question I now propose that the ownership of the disputed property should be subject to impartial and expert investigation. This might be entrusted to a Committee of three allied nationals drawn from States not interested in this dispute. If the property is found to belong to Germany, we would agree that it should be retained by the Russians. If it is found to belong to one of the British companies the property should be returned by the Soviet Government or compensation paid to the company.

Potsdam, 24th July, 1945.

No. 842

740.00119 Potsdam/7-2845

Proposal by the United States Delegation

[Babelsberg, July 25, 1945.]

USE OF ALLIED PROPERTY FOR SATELLITE REPARATIONS OR “WAR TROPHIES”

1. The burden of reparation and “war trophies” should not fall on Allied nationals.²

2. Capital Equipment—We object to the removal of such Allied property as reparations, “war trophies”, or under any other guise. Loss would accrue to Allied nationals as a result of destruction of plants and the consequent loss of markets and trading connections. Seizure of Allied property makes impossible the fulfillment by the satellite of its obligation under the armistice to restore intact the rights and interests of the Allied Nations and their nationals.

The United States looks to the other occupying powers for the return of any equipment already removed and the cessation of removals. Where such equipment will not or cannot be returned, the

¹ Printed from an undated mimeographed copy. United States Delegation notes on the agenda for the Eleventh Plenary Meeting, July 31 (ante, p. 511), state that this proposal was circulated on July 25. Cf. ante, pp. 545-546. The proposal became an annex to the Conference Protocol; see post, p. 1498, footnote 99.
² A working draft of this proposal (file No. 740.00119 Potsdam/7-2845) has the following additional paragraph at this point:

“2. We deem it essential that each Allied Government make such adjustments in its reparations demands and its economic and trade relationships to insulate that the burden of reparation not be shifted to nationals of other Allies because of the inability of the satellite to make adequate, effective and prompt compensation for the loss of Allied property.”

This working draft also has minor variations in wording from the proposal as presented.
U. S. will demand of the satellite adequate, effective and prompt compensation to American nationals, and that such compensation have priority equal to that of the reparations payment.

These principles apply to all property wholly or substantially owned by Allied nationals. In the event of removals of property in which the American as well as the entire Allied interest is less than substantial, the U. S. expects adequate, effective, and prompt compensation.

3. Current Production—While the U. S. does not oppose reparation out of current production of Allied investments, the satellite must provide immediate and adequate compensation to the Allied nationals including sufficient foreign exchange or products so that they can recover reasonable foreign currency expenditures and transfer a reasonable return on their investment. Such compensation must also have equal priority with reparations.

We deem it essential that the satellites not conclude treaties, agreements or arrangements which deny to Allied nationals access, on equal terms, to their trade, raw materials and industry; and appropriately modify any existing arrangements which may have that effect.

No. 843

Proposal by the Soviet Delegation

[Translation]

P. (TERMINAL) 46. [BABELSBERG,] 27th July, 1945.

REMOVAL OF ALLIED INDUSTRIAL EQUIPMENT ESPECIALLY IN ROUMANIA

MEMORANDUM BY THE SOVIET DELEGATION

In its memorandum of the 24th July (P. (TERMINAL) 40)¹ the British Delegation once more raises the question of the legitimacy of the removal by the Soviet Command from Roumania of oil equipment by way of war booty.

The Soviet Government has repeatedly explained its point of view on this question and referred to definite facts proving that the oil equipment under discussion, consisting mainly of pipes, is German military equipment and war booty for the Red Army.²

It should be recalled that beginning as long ago as the summer of 1940, the British Oil Companies and enterprises in Roumania were seized by the Germans and used by them up to the 23rd August, 1944, for supplying the German Army with oil products. In aide-mémoires

¹ Document No. 841.
² See ante, pp. 234-236.
from the People's Commissar for Foreign Affairs of the U. S. S. R., dated 30th November, 1944, and the 4th January, 1945, full details were already quoted to confirm the above statement nor [not] leaving any doubt that the Allied Control Commission in Roumania had in this matter acted in full accord with Article 7 of the Agreement on the Armistice with Roumania and with Article 2 [B] of the Protocol [Annex] to this Agreement. There is, therefore, at the present time, no need to expound the Soviet point of view on this question.

As to the suggestion contained in the British Memorandum of the 24th July to instruct a committee, consisting of three persons who are citizens of Allied countries, to investigate the problem as to whether these pipes were British or German property, the Soviet Delegation considers the reference of this problem to a joint examination by Soviet representatives and British representatives in respect of oil equipment and pipes removed from the territory of the enterprises with the participation of British capital to be more useful. The Soviet representatives, together with the British representatives, could examine the facts and documents which could be presented to the British party.

Vyacheslav Mikhailovich Molotov.

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No. 844

740.00119 Control (Roumania) 7-2845 : Telegram

The Acting Secretary of State to the Acting Representative in Roumania (Melbourne)

[Extract 1]

SECRET

WASHINGTON, July 28, 1945—1 p. m.

378. . . .

. . . . On the six articles mentioned in his 2 M-1285 3 his views are in general concurred in by Dept. We would not, however, regard any specific protest on Article 7 as called for at the present time since Soviet Govt has several times been apprised of this Govt's position and matter is under discussion at governmental level as part of question of defining war booty in all ex-enemy countries. . . .

Grew

S[amuel] R[ieber]

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1 For the full text of this message, see document No. 825.
2 i. e., Brigadier General Schuyler's.
3 See documents Nos. 812 and 840.

EDITOR'S NOTE.—For the final Conference texts on this subject, as included in the Protocol, see post, pages 1496, 1497-1498.
CONTROL OF EXTERNAL ASSETS

No. 845

800.518/7-1445 : Telegram

The Acting Secretary of State to the Chargé in the Soviet Union (Kennan)

SECRET

WASHINGTON, July 19, 1945—5 p. m.

PRIORITY

1641. Dept forwarding memo\(^1\) to Collado, Potsdam, discussing entire problem freezing satellites (reurtel 2570 Jul 14, repeated to London as 360,\(^2\) and related cables) and suggesting desirability discussion Russian authorities. Dept continues to feel total freeze desirable in view administrative difficulties which will undoubtedly be encountered if neutrals are requested to freeze on partial basis. Matter will be held in abeyance pending reply.

Sent to Moscow, repeated to London and Stockholm.

Grew
C[ovey] T. O[liver]

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\(^1\) Not found.
\(^2\) Document No. 326, printed in vol. 1.

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No. 846

740.00110 Potsdam/8-245

The Secretary of State to the Soviet Foreign Commissar (Molotov)\(^1\)

TOP SECRET

[Undated.]

MEMORANDUM FOR THE SOVIET FOREIGN MINISTER

The Government of the United States, as you are aware, has during the course of the war in Europe conducted a campaign of economic warfare largely directed against German holdings in the neutral countries. A large part of this campaign has been the effort to uncover German assets concealed in the names of neutrals, and in the accounts of satellite countries or their nationals. During the past year, efforts have particularly been made to isolate and preserve such assets.

As my Government has informed your Government, it is proposed to request neutral countries to block assets of countries which were formerly German occupied and of their nationals. The long period of German domination of such countries makes it certain that substantial German assets are concealed in such accounts. Moreover, my Government’s long experience with methods of economic warfare

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\(^1\) Printed from an unsigned carbon copy. A copy of this memorandum was given to Bevin. See document No. 847.

[No. 846]
and economic controls leads it to believe that only through the census which would accompany such blocking can full disclosure of concealed funds be accomplished. It is also felt, based on experience both at home and abroad, that the line of demarcation between governmental and private assets, which your Government has proposed, is not feasible from an administrative viewpoint.

On the other hand, my Government recognizes the validity of the point which has been made by your Government that the Governments of the ex-satellite nations, having declared war on Germany, should have sufficient assets at their disposal. My Government therefore proposes to take the following steps:

1) My Government will request the neutral Governments immediately to block all assets belonging to Bulgaria, Hungary or Rumania, or to their nationals.

2) At the same time, the neutrals will be requested to institute a census of such assets, with appropriate penalties for failure to make full disclosure.

3) The neutrals will be requested to make the results of such census available to the Allied Governments.

4) The results of the census will be made available, when obtained by my Government, to the Allied Control Council [Commission] having jurisdiction in the particular ex-satellite nation.

5) My Government will stress, in requesting such blocking, that a general license should be granted to approved agents of the ex-satellite countries to operate governmental accounts in the neutral countries for such purposes as may be approved by the relevant Allied Governments. Reports on any transactions undertaken under such general licenses will be required.

6) In accordance with its usual practice in all matters of economic warfare (such as the administration of the Proclaimed List of Certain Blocked Nationals) my Government will concert in this matter with the British Government before making representations to the neutral Governments.

It is believed that this procedure will benefit all of the Allied Nations, will help to attain economic security, and will eliminate a dangerous loophole in present controls, while at the same time giving full weight to the expressed desire of your Government (in which my Government concurs) to allow full scope to legitimate operations of the authorized and approved representatives of the ex-satellite countries.

In accordance with what is understood to be the desire of your Government, no request to block governmental assets of Finland will be made to any of the neutral countries.

A copy of this memorandum has been handed to the British Foreign Secretary.

2 See document No. 325, printed in vol. I.
No. 847

800.515/8-245: Telegram

The Director of the Office of Financial and Development Policy (Collado) and the Chief of the Division of Economic Security Controls (Rubin) to the Acting Chief of the Division of Economic Security Controls (Oliver) ¹

SECRET

BABELSBERG, August 2, 1945.

VICTORY 479. To Acting Secretary of State for Oliver from Collado and Rubin. Repeated to AmEmbassy Moscow.

For your information memo has been delivered to Molotov with copy to Bevin stating our feeling that all Rumanian, Bulgarian and Hungarian assets in neutral countries should be blocked, on grounds that otherwise blocking of private assets is ineffective, that licenses issued to authorized representative can permit approved governments to use their foreign funds, and that complete census (and blocking) is necessary to uncover German assets.

¹ Sent to the Acting Secretary of State over the signature of Byrnes.

[No. 847]
GERMANY

PRINCIPLES TO GOVERN THE TREATMENT OF GERMANY IN THE INITIAL CONTROL PERIOD

No. 848

740.00110 EW7-1645

United States Delegation Working Paper

[BABELSBERG, July 16, 1945.]

PROPOSED AGREEMENT ON THE POLITICAL AND ECONOMIC PRINCIPLES TO GOVERN THE TREATMENT OF GERMANY IN THE INITIAL CONTROL PERIOD

1. The authority of the Control Council to initiate plans and reach agreed decisions on the chief military, political, economic and other questions affecting Germany as a whole shall be paramount in Germany, and those plans and decisions shall be carried out in each zone of occupation by the national Commander-in-Chief concerned.

2. In its work the Control Council will be guided by the Crimea Declaration, by the Declaration of June 5, 1945, on the Defeat of Germany, and by the provisions of the Agreement on Additional Requirements which is in the final stage of negotiation in the European Advisory Commission. In addition, the Commander-in-Chief will apply the additional agreed political and economic principles set forth below in this Agreement.

Political Principles

3. War criminals, including those who have participated in planning or carrying out Nazi enterprises involving or resulting in atrocities or war crimes, shall be arrested and brought to judgment. Nazi leaders...

1 Printed from an unsigned carbon copy which bears the following manuscript notation by Mosely: "Prepared July 16, 1945, P E M[osely] and E. Despres Potsdam." In an "Index of Attachments to Summary of the Negotiations in the Economic Sub-Committee" (file No. 740.00119 (Potsdam)/7-3415), the same text—except that paragraph 11 reads, "Alley controls shall be imposed upon the German economy to the extent necessary:"—is identified as follows: "Proposed Agreement on the Political and Economic Principles to govern the treatment of Germany in the Initial Control Period—text by Clayton, Collado, Mosely and Despres—not used." Cf. appendix A to document No. 327, printed in vol. I, and document No. 852, post.

2 See document No. 1417, section II.

3 Treaties and Other International Acts Series No. 1520; 60 Stat. (2) 1649.

4 See the accompaniment to document No. 1038.
and influential Nazi supporters and any other persons dangerous to
the occupation or its objectives shall be arrested and interned.

4. All members of the Nazi Party who have been more than nominal
participants in its activities and all other persons hostile to Allied
purposes shall be removed from public and semi-public office, and from
positions of responsibility in important private undertakings. Those
Germans who are permitted to remain in, or are appointed to, official
posts (e.g. in the police or the administration) should understand that
they hold office only during good behavior.

5. German education shall be so controlled as completely to elim-
inate Nazi and militarist doctrines and to make possible the develop-
ment of democratic ideas.

6. The administration of affairs in Germany should be directed
towards the decentralization of the political structure and the develop-
ment of local responsibility. To this end:

(i) local self-government shall be restored throughout Germany
through elective councils.

(ii) anti-Nazi political parties together with freedom of assembly
and of public discussion shall be allowed and encouraged throughout
Germany.

(iii) Representative and elective principles shall be introduced into
regional, provincial and state (Land) administration as rapidly as
results of local self-government seem to warrant.

(iv) For the time being no central German Political Government
shall be established.

7. Subject to the necessity for maintaining military security, free-
dom of speech, press and religion shall be permitted, and religious
institutions shall be respected. Subject likewise to the maintenance
of military security, the formation of free trade unions shall be per-
mitted. The Control Council will supervise the dissemination of
public information in Germany.

8. The Commander-in-Chief will assure the representatives of
United Nations and neutral news-gathering agencies all reasonable
facilities for the collection and transmission of news material.

Economic Principles

9. The German economy shall be decentralized for the purpose of
eliminating the present, excessive concentration of economic power.
To the extent required for carrying out the purposes set forth herein,
the Control Council shall permit or secure the establishment of central
controls.

10. In the imposition and maintenance of economic controls, Ger-
man authorities shall to the fullest extent practicable be ordered to
proclaim and assume administration of such controls.

5 This is an interpolated manuscript heading on the source copy.
11. Allied controls shall be imposed upon the German economy but only as may be necessary:

(a) to carry out programs of military and industrial disarmament;
(b) to carry out programs of reparation and rehabilitation of devastated areas;
(c) to assure the production and maintenance of goods and services required to meet the needs of the occupying forces and displaced persons in Germany and essential to prevent starvation, disease or civil unrest;
(d) to ensure the equitable distribution of essential commodities between the several zones;

12. The production of arms, ammunition and implements of war, including all types of aircraft and ocean-going ships, shall be prohibited and prevented, and specialized facilities for the manufacture of these articles shall be held for removal or destruction. Production of synthetic oil and rubber, and of aluminum and magnesium shall also be prohibited and the productive facilities held for removal or destruction. Production of other metals, chemicals (including synthetic nitrogen) and machinery shall be rigidly controlled and restricted to minimum, peacetime needs. Excess facilities shall be held for removal or destruction.

13. The principles agreed upon or under negotiation in the Reparation Commission at Moscow to govern the exacting of reparations from Germany are set forth in Annex I to this agreement.

14. To secure the fulfillment of immediate economic objectives, the Control Council will undertake the formulation and prompt execution of uniform programs in the following fields:

(a). Development of exports for the purpose of
   (i) Meeting a reparation program as formulated by the Reparations Commission.
   (ii) Meeting urgent external needs for relief and reconstruction.
   (iii) Providing means of payment for Germany’s minimum imports.

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6 No annex to this draft has been found. For the annex to the United States proposal as introduced on July 17, see document No. 894.
7 In a variant working draft of this paragraph (renumbered 15), the preliminary language and subparagraph (a) read as follows:

"15. During the period of occupation Germany shall be treated as a single economic unit. To this end, the Control Council will promptly formulate programs in the following fields:

"(a) Development of exports for the purpose of
   "(i) Providing means of payment for Germany’s minimum imports.
   "(ii) Meeting a reparation program as formulated by the Reparations Commission.

"Immediate attention should be given to the export of coal from Germany."
Immediate attention should be given to the export of coal and to transfers of railroad rolling stock and live stock for purposes of reparation and economic restoration of Allied countries.

b). Formulation of a single program of minimum required imports for Germany as a whole and determination of basis for sharing procurement and financing responsibility.

c). Establishment of machinery to assure equitable distribution of available supplies within Germany.

d). Establishment of uniform ration scales within Germany.

e). Formulation of immediate steps to secure adequate agricultural and coal output, essential repair of internal transport and emergency repair of housing, electric power and other utilities.

f). Formulation of initial measures for curtailment of metal, chemical and machinery industries to conform to minimum, peacetime needs, and elimination of selected, key industries in these fields.

g). Uniform regulation and control of currency, credit and public finance.  

h). Uniform controls of Germany's international frontiers and recording of movements of persons and goods.

i). Integrated controls and operation of transport and communications.

15. The Control Council is charged with the practical implementation of the basic policies agreed between the occupying powers in the agreements listed in Article 2 above and in the present agreement. The Commander[s]-in-Chief will refer to their respective governments any proposals for modifications of or additions to the basic principles and objectives set forth herein.

16. This agreement does not apply to Austria.

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8 In the variant draft referred to in the preceding footnote, this subparagraph has the following additional phrase: "(including customs)". The next subparagraph is omitted from the variant draft, and the final subparagraph in that draft is therefore lettered (h).

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No. 849

740.00119 Control (Germany) 7-1745

The Secretary of War (Stimson) to the Secretary of State

TOP SECRET

Dear Mr. Secretary[,] I am enclosing herewith the original and a copy for your files of a memorandum to the President relating to the problem of the administration of Germany. This is the memorandum referred to in my note ¹ delivered to you yesterday evening.

At your earliest convenience I would very much like to see the

¹ Document No. 1286.

[No. 849]
President with you about this memorandum and the memorandum on Japan sent to you yesterday.

Faithfully yours,

HENRY L. STIMSON
POTSDAM, 17 July 1945.

[Enclosure]

The Secretary of War (Stimson) to the President

TOP SECRET

[BABELSBERG,] 16 July 1945.

MEMORANDUM FOR THE PRESIDENT

The matters with which I am primarily concerned, namely the administration of Germany and the conduct of the war with Japan, are, upon analysis, inextricably related to the general problem of post war rehabilitation and the achievement of the strategic aims for which we have been fighting.

THE CONDITION OF CENTRAL EUROPE

We have occupied Germany following a devastating conquest which has laid waste wide areas of middle Europe, extending from France to well within the boundaries of Russia, and extending from the North Sea and the Baltic to the Mediterranean. Germany, which has been responsible for loosing the forces which resulted in the two World Wars, is herself laid waste and is in the geographical center of the area of devastation.

This area in the main was a highly industrialized one, its industrialization being evidenced by the number of large and prosperous

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2 See documents Nos. 732, 1212, 1236, and 1274.
3 The following extracts from Stimson's diary refer to the genesis and use of this memorandum:

"[July 16:] I spent the morning with McCloy and Bundy in drafting the papers in re Manchuria [see document No. 1212], the problem of Germany, and third, the answer to the proposition of the State Department on the Ruhr, viz: protectorate by France, Belgium, and Holland, and a total excision of the Ruhr from Germany.

"[July 17:] I went to the 'White House' for a conference with Byrnes early in the morning. ... I then discussed with him the papers on Germany which had been united into one paper. I very briefly outlined our position taken in the paper, but emphasized the danger of trouble which would come from the territorial excision and the denationalization of the German population of the Ruhr, pointing out that it was entirely against the historical tendency of the evolution towards nationalism which had taken place for the past one hundred and fifty years in Europe, and I contrasted this with the wiser territorial results reached in the Treaty of Versailles. Later I heard through the grapevine and McCloy that the State Department proposition had been practically abandoned. ..."

The "State Department proposition" referred to was presumably document No. 1021. While the position advanced in that paper was certainly discussed among the Department of State officials who were members of the Delegation, such a position never became the official Department of State position, as the extracts quoted above might seem to imply.
cities within it. All who have visited Germany and the portions of Poland and Russia overrun by the war, testify to the great destruction visited upon those cities. Almost without exception, cities large and small have been torn by explosives of greater power than have been developed in any previous wars. It may be true, as was stated before the Kilgore Committee of the Senate, that many of the plants could, with industry, be restored or set in motion with relatively little or no repair. But there is a great difference between the mere physical existence of a plant and its capacity to operate as a going concern. That capacity has been destroyed, at least temporarily, by the destruction of the means of communication to and from the plant, and by the general collapse following defeat. A paralysis of commerce has set in due to the lack of transportation, raw materials, and the means of trade. This paralysis is not limited to Germany, but may grip all western Europe as well.

As occupiers of portions of this area, we shall have many serious administrative problems to cope with, problems which will be greatly accentuated by lack of food and fuel. For this reason alone it should be our policy to make it possible for the people we control to work, and thus relieve us to the maximum possible extent of the burden of their idleness and want. I take it that all our objectives are included in one fundamental purpose—the achievement of security and peace under conditions which preserve to us our concepts of liberty. While it is our object to disarm Germany, it should not be our purpose to make it impossible for the German people to live and work. We should not remove their capacity for aiding in the restoration of stable conditions in Europe and the world.

On the one hand it is clear that Germany has created, and twice misused, a swollen war industry—one substantially beyond her peaceful needs, and even though this capacity has been greatly impaired by defeat, certain physical steps can and should be taken to hamper the regrowth of her industrial capacity to more than reasonable peacetime needs.

On the other hand from the point of view of general European recovery it seems even more important that the area again be made useful and productive. Considering Germany alone, the figures show that the commerce of Europe was very largely predicated upon

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4 i.e., the Subcommittee on War Mobilization Problems of the Senate Committee on Military Affairs (79th Congress, 1st Session). The hearings referred to are printed under the caption, Elimination of German Resources for War (Washington, Government Printing Office, 1945-1946). Cf. A Program for German Economic and Industrial Disarmament: A Study Submitted by the Foreign Economic Administration (Enemy Branch) to the Subcommittee on War Mobilization of the Committee on Military Affairs, United States Senate, April 1946 (Washington, Government Printing Office, 1946; Senate Subcommittee monograph No. 6, 79th Congress, 2d Session).
her industry. There was a period, substantially before the war, when Germany became the largest source of supply to ten European countries—viz. Russia, Norway, Sweden, Denmark, Holland, Switzerland, Italy, Austria-Hungary, Roumania and Bulgaria, and the second largest supplier of Great Britain, Belgium and France. At the same time she became the best customer of Russia, Norway, Holland, Belgium, Switzerland, Italy, and Austria-Hungary, and the second best of Great Britain, Sweden and Denmark.

Germany, according to estimates we now have, will continue to have about the same number of people she had before the war, and they will have to be fed, clothed, and housed in some manner. Of her approximately 70,000,000 people (including Austria), about 25,000,000 have been supported by industrial rather than agricultural activity. England and France, at the moment, do not have sufficient production to take care of their own needs by a long measure. There will be a scarcity of products which will plague all Europe for a substantial period to come, and the effects of it are bound to be felt by the other countries of the world.

The problem which presents itself therefore is how to render Germany harmless as a potential aggressor, and at the same time enable her to play her part in the necessary rehabilitation of Europe.

THE IMPRacticability of Destroying German Industry

It is my view that it would be foolish, dangerous and provocative of future wars to adopt a program calling for the major destruction of Germany’s industry and resources. Not only would any reasonable prospect for the reestablishment of European industry be dissipated by such action, but such destruction would be bound to leave a focus of economic and political infection which might well destroy all hope we have of encouraging democratic thinking and practices in Europe. What elements of German industry can be destroyed or removed as unnecessary for peacetime needs is a matter of [for?] expert determination. The balance must be put to work as soon as practicable and subjected to some system of security control. It is a task requiring perseverance, application and intelligence over a long period of time, but I am certain that mere destruction is neither effective as a security measure, nor, in the light of European, including German needs, possible as an economic one.

The need of all Europe includes the prompt stimulation of production within Germany, of food, coal, clothing, and housing. Production of these items is not capable of independent development. It must be based on other items and services, in short, general industry and trade. Without freedom of internal trade and communication, no one of these items can be produced on the scale which
will be required. It follows that we cannot afford to operate Germany as if she were four separate water tight compartments.

RECOMMENDATIONS

Accordingly, as a first step, I would urge the adoption by the Great Powers at the Conference of a policy which would treat Germany as an economic unit so as to permit her to contribute to her own and to general European rehabilitation. To this end I would urge that the three Powers instruct their representatives in the Control Council to adopt a uniform policy in respect to such matters of nation-wide importance as transportation and communication, rationing and control of critical prices. I would urge that the Control Council also be instructed to adopt a uniform currency and a uniform fiscal and taxation system. They should also be instructed to decree a free exchange of commodities and persons, (subject to feeding and housing limitations) between the zones, and the full recognition of the principle that the cost of any imports shall be a first charge against any exports. And at the same time, in order to accomplish the future security, I would urge that the Control Council be instructed to:

(a) Institute a system of control over imports and exports which will eliminate the importation of any article not clearly needed for peacetime necessities and commerce.
(b) Decentralize the political authority of the Germans, giving encouragement to the local administrative units, and by the popular selection of local administrators through free but Nazi-purged elections. For the time being there should be no central political government of Germany other than the Control Council itself acting through such German administrators as it cares to select.
(c) Completely abolish the German General Staff and submit a plan whereby the world may be assured that neither it, nor anything like it, will again become a factor in the government of Germany.
(d) Determine and report the extent to which German industrial activity may safely be resumed, considering (1) rehabilitation needs, and (2) the necessity of reducing Germany’s overdeveloped war making powers.

The above are not all-inclusive, but I believe they are essential and would constitute a good common start toward achieving the economic and strategic objectives which we seek. I assume of course, that the process of punishment of war criminals will, in coordination with the Control Council[,] be prosecuted vigorously.  

HENRY L STIMSON

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5 For the concluding section of this memorandum, see document No. 1022.

[No. 849]
Attached is the memorandum which you directed the Division to prepare on "Problems with which we are or may be confronted in the US Zone and in Germany as a whole". I don't think the paper is in the Division's best vein. Some of the problems mentioned are small or are on their way to solution and some of the policy guidance asked for in the memorandum will be supplied as a result of the Conference, at least if the American thesis is accepted.

I have tried my hand at a new document, a rough draft of which is attached for your consideration.

Donald R. Heath

[Enclosure 1]

[Political Problems]

There follows a list of the principal problems with which we are or may shortly be confronted in the U.S. Zone or in Germany as a whole for the solution of which high level decisions or policy guidance is needed.

1. The problem of the large numbers of Nazis who have been or shortly will be removed from public office and important positions in private enterprise. Should they be interned, put in labor camps, or be allowed to remain at large?

2. The problem of political decentralization. As the Political Division sees it the problem of decentralization of the German governmental structure is that of re-establishing a federal government utilizing as federal units the historical Länder and provinces. The problem is not great in the American Zone. Bavaria is a natural unit of a German federation and lies entirely within the American Zone. Württemberg is another historic unit, the difficulty in this case being that a large part of the Land of Württemberg is in the French Zone. It is to be noted that it will later be possible to recast the zones to bring Württemberg entirely within one zone. The same is true of the state of Baden, the northern part of which located in the American

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1 i.e., the Political Division, United States Group, Control Council (Germany).
2 This memorandum is in rough form. Manuscript corrections and revisions have been made as indicated on the original.
Zone should be reunited with the southern part and the whole Land placed within the French Zone, possibly in return for restoration of the southern part of Württemberg to our zone. On the other hand Hessen, Hessen-Nassau, and the newly created province of Kur-Hessen might well be combined into one Land.

The problem is more acute and complex in the British Zone where there are several small political divisions which are too small to serve as proper units in a refederalized Germany. In the Russian Zone there is the problem of dividing Prussia and restoring some of the old states which Prussia absorbed in its long history of aggression.

The problem of federalization or refederalization of Germany is a complex one which cannot be solved without further experience in military government and very considerable study. The question arises whether we should not at an early meeting of the Control Council if not at the present Conference seek a declaration in favor of eventual reconstitution of Germany as a federalized state. When J. C. S. 1067 was submitted to the EAC we put forward our position as favoring decentralization. Decentralization is a rather vague term. "Federation" and "federalization" are much more precise. Why cannot we strive at this conference to obtain clear agreement on a federalized Germany with Prussia dismembered into appropriate political units?

3. The problem of the organization of relations between the Control Council governing Germany and allied and neutral states. Should a declaration be issued by the Control Council announcing that it is de facto the Government of Germany? Should the Control Council notify neutral states of this announcement and request the return to Germany of the German diplomatic and consular personnel? Should Allied and neutral states be invited to accredit small missions (military or civilian or both) to the Control Council? Should the Control Council confine its relations to [with?] other governments to such missions as may be accredited to it or should it, in certain cases, be permitted to communicate with other governments through one or all of the diplomatic missions of the four powers in other countries?

4. The problem of uniformity in the information services of the zones. We are at present in our zone proceeding from the phase of operation and control by American authority to operation by licensed Germans under American control. The essential problem now is one of consultation and agreement with the British, Soviets and French on a uniform information and operation policy for all of Germany.

3 J. C. S. 1067 was the first in a series of drafts and papers produced during the development of the directive to the Commander in Chief, United States Forces of Occupation in Germany, regarding the military government of Germany (text in Foreign Relations, The Conferences at Malta and Yalta, 1945, p. 143). The directive was finally issued in May 1945 (see Department of State Bulletin, vol. xiii, p. 596).
How shall official news originating inside Germany be distributed outside Germany? Will a new German press service be established?

It is understood that an attempt will be made at this Conference to reach uniform policy regarding the movement and activities of accredited correspondents in and between their respective zones.

5. *The problem of the resettlement of stateless persons and non-repatriables in Germany.* The German laws which deprived many Germans of their German citizenship have been revoked. Must these persons undertake some positive action on their own part to re-establish their claim to German citizenship? If not, by what process is their citizenship to be restored? What provision is to be made for those persons who do not wish to re-assume German citizenship?

6. *The problem of the protection of American property interests.* Estimates place the total value of pre-war American investments in industry and other property in Germany at some $1,200,000,000. The present custodianship of American and other foreign property in the American Zone is vested in the Property Control Branch of the Reparations, Deliveries and Restitution Division. As its authority is restricted to the American Zone, the Property Control Branch will be required to establish cooperative relations with corresponding agencies of the other three Occupying Powers for the control of American Property in their respective Zones. Effective steps towards this end, however, can be taken only after the Control Council has started normal operations.

Because of the large scope and complexity of the subject, a certain amount of time will be required for developing definitive policies in all their details and organizing necessary administrative machinery for the effective protection of American property interests.

A considerable portion—figures not available at this writing—of American investments in Germany are located in the Russian Zone. The question arises whether at this Conference we should not intimate very clearly to the Russians that we expect protection of American investments in the Russian Zone. A preliminary list of principal direct investments in the Russian Zone could be prepared in a short time.

**Economic Problems**

7. *Trade and Travel.* It is understood that the problem of the movement of goods and persons between the four zones and the problem of German exports, particularly in relation to reparation policy will be studied and discussed during the Conference.

8. *The problem of coal and food.* The problem of coal and food during the next twelve months is probably the leading economic problem facing the Military Government in the separate zones, and in Germany
as a whole. It is less acute in the Russian Zone and, as regards food, most acute in the British Zone. There is full realization of the gravity of the problem of providing food and fuel and adequate attention is being given to the problem in the British and American Zones at least.

9. The problem of inflation. Intimately related to the problem of maximum production of food in Germany to prevent hunger and dangerous political disorder is that of inflation. At this Conference and at [an] early meeting of the Control Council effective agreement should be reached as to the establishment of a functioning central banking machinery and monetary system.

10. The problem of quadripartite action to vest or freeze Germany’s external assets. Will a special agency be established within ACC to handle developments?

[Enclosure 2]

SECRET

[BABELSBERG], July 16, 1945.

MEMORANDUM*

Subject: Problems with which we are or may be confronted in the US zone and in Germany as a whole.

I. Economic Problems

See the attached statement prepared by Mr. Tuthill of the Economics Branch of the Political Division.

II. General Political Problems

1. How soon and to what extent shall political party organizations be permitted (a) locally, and (b) on a provincial, zonal or national basis? How far shall we accept those political parties already permitted by the Soviets to exist in our sector of Berlin, or those formed in the Soviet zone on a “national” basis? It would seem that the problem of policy toward political activities must be worked out by the Control Council at the national level, as otherwise there may be such divergencies of attitude as to create a serious divisive factor.

2. To what extent should exiled German political and trade union figures be brought back into Germany with our support and assistance? This question applies equally to cases in which we might bring such persons back to serve in appointive positions and to cases in which they might wish to come back “on their own” to engage in political activities.

3. What policy should be adopted toward the large numbers of Nazis removed from office and those who will be removed from office

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* By Perry Laukhuff. Printed from an unsigned copy.

[No. 850]
and private enterprise in the future? Should they be interned, put in labor camps, or be allowed to remain at large?

4. The original directives called for the removal of all Nazis from public office and leading positions. These have now been modified so that only active Nazis or Nazi sympathizers are to be removed. These two policies are being applied in various parts of the American Zone, and in other zones, with varying degrees of thoroughness. To what extent, if any, should the policy be reviewed, with the object of allowing somewhat greater discretion in areas where it seems almost impossible to find qualified persons for public or private positions who were not members of the Nazi Party?

5. To what extent should former provinces or Länder be combined into larger areas (with specific reference to the recent proposal to form one Land out of the Western Military District of the US Zone)?

6. How are the relations between the Control Council and Allied and neutral states to be organized. Should a declaration be issued by the Control Council announcing that it is de facto the Government of Germany? Should the Control Council notify neutral states of this announcement and request the return to Germany of the German diplomatic and consular personnel? Should Allied and neutral states be invited to accredit missions (military or civilian or both) to the Control Council? Should the Control Council confine its relations to [with?] other governments to such missions as may be accredited to it or should it, in certain cases, be permitted to communicate with other governments through one or all of the diplomatic missions of the four powers in other countries?

7. Should the British and American elements of former SHAEF missions be dissolved? Could not the American Military Governor make use of American military attachés in our established diplomatic missions, in place of the American element of the former SHAEF special missions? In such case could the Military Governor issue instructions directly to such diplomatic missions (military attachés) or would he have to transmit instructions via the War and State Departments? This question applies likewise to cases in which the Control Council might wish to issue instructions to the diplomatic missions of the four powers in any given capital.

8. As the situation has developed, does the policy of non-fraternization, in its present limited status, serve any useful purpose politically?

III. Archives and Interrogations

1. Arrangements must be made for us to have access to documents held in the British Zone. The British are already operating jointly with us on documents held in the American Zone.

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5 See vol. i, document No. 340.
2. To what extent and under what reciprocal conditions are the Soviets and French to have access to the American-British document centers in the US Zone? Specifically, when and how shall Foreign Office archives at Marburg be made available to the Soviet authorities?

3. Will the State Department make available adequate, properly briefed and experienced special personnel to carry out a program of interrogations of persons detained at AsHCAN, DUSTBIN, Ministerial Control Center (Kassel), the Seventh Army Interrogation Center (Augsburg) and elsewhere?

IV. Information Services

1. We are at present in our zone proceeding from the phase of operation and control by American authority to operation by licensed Germans under American control. The essential problem now is one of consultation and agreement with the British, Soviets and French on a uniform information and operation policy for all of Germany.

2. In the field of press relations, the principal problem is to reach agreement with the other three powers on a uniform policy regarding the movement and activities of accredited correspondents in and between the respective zones.

3. How shall official news originating inside Germany be distributed outside Germany? Will a new German press service be established?

4. Should we persist in our present policy of “austerity” in our radio broadcasts, or should our programs include more music and other features, making them of much the same kind and quality as programs in the US?

V. Displaced Persons

1. What plans have been formulated or policies adopted looking toward the resettlement of stateless persons and non-repatriables in Germany?

2. The German laws which deprived many Germans of their German citizenship have been revoked. Must these persons undertake some positive action on their own part to re-establish their claim to German citizenship? If not, by what process is their citizenship to be restored? What provision is to be made for those persons who do not wish to re-assume German citizenship?

VI. Protection of American Property Interests

See attached statement prepared by Mr. Redecker,6 which furnishes certain information on this subject.

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6 Not printed.
VII. War Crimes, German Prisoners of War and United Nations Prisoners of War

See attached three statements prepared by Mr. Buhrman which furnish certain background material on these subjects.

[Subenclosure 1]

[BABELSBERG?], July 14, 1945.

SOME ECONOMIC PROBLEMS OF IMMEDIATE INTEREST TO THE ECONOMICS BRANCH OF THE POLITICAL DIVISION

NOTE: This is not an attempt to list all German economic policy matters that will require attention. For example, it is assumed that the following general problems will be discussed:

1. The movement of goods and persons between the four zones.
2. The question whether SHAEF and Russian laws and directives will be compared and coordinated with the objective of issuing Control Council laws covering all of Germany.
3. The role of various agencies and committees, such as (a) the London Group—ECO, EECE, etc., (b) the Reparations Committee (Moscow) and (c) those in Western Germany such as CRAB. (The Control Council will have to be given clearer authority and implementing powers if major economic policies and decisions are to rest with it.)

Other matters that should be discussed are:

A. Trade and Reparations

1. Assuming that exports will be used to obtain sufficient foreign exchange to pay for essential imports, what machinery will be established to handle the transfer problem involved?
2. Is it possible to obtain a statement on reparations policy that will indicate the time schedule (a) of removing heavy machinery and (b) supplying raw materials, finished goods and labor?
3. Can Russia be induced to make Austrian, Hungarian, or Rumanian oil available to our zones in Austria and Germany?

B. Labor

1. Assuming that Allied demands for reparations labor will be supplied by active Nazis and ardent Nazi sympathizers, how soon can this policy be made effective?
2. Is formal international judgment that the NSDAP, SS, SA, etc., are criminal in purpose to be a prerequisite for the removal of their members from Germany for reparations labor?
3. What is the current agreed policy on trade union activities

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7 Two of these statements are not printed.
involving organized meetings, collection of dues, publications, and posters? Should the Works Council Law of 1920 be restored?

C. Finance

1. What form will quadripartite action take regarding vesting or freezing German external assets? Will a special agency be established, within ACC, to handle developments?

2. What is the position regarding German debts to neutrals and how is this related to Question 1?

3. What banking and accounting procedure will be established on a quadripartite basis to allow effective operation of one currency for all of Germany?

4. Can, at least, a functional central banking machinery be established? If so, what are the agreed objectives of inflation controls, servicing of public debt and possible currency conversion?

D. Industry

1. What quadripartite action is possible in order to take over management of combines (Farben) and aimed ultimately at dissolving cartels and dispersing combines?

2. Assuming quadripartite agreement on denazification policy, can an agreed public statement be prepared emphasizing unanimous determination to use anti-Nazi workers and businessmen to help root out Nazis in industry?

3. Can Combined Resources Allocation Board be broadened or abandoned in order to obtain Russian participation?

4. Coal

a. Will Russia participate in ECO?

b. How can the Russians be induced to make the hard coal from German and Polish Silesia and the brown coal fields of Central Germany available for minimum essential needs for all of Germany, as well as for export subject to ACC policies?


[Subenclosure 4]

The Status of German Prisoners of War or Disarmed Enemy Forces as Related to the Political Division of US Group CC

The handling of German prisoners of war or disarmed enemy personnel is the responsibility of the Demobilization Branch of Army Ground Division, US Group CC. Our relation to the problem entails keeping the State Department informed and acting in an advisory capacity as to our treaty relations.

According to the report of this division as of June 16, 1945 the total number of prisoners of war or disarmed enemy personnel originally

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held by the United States, Britain and France was 7,500,000. Of this number approximately 1,200,000 had been discharged by the United States as of June 18, 1945. No figures are available as to other discharges. The principal problem in relation to this body of disarmed enemy personnel is to effect their discharge and distribution to meet not only the labor requirements in Germany itself but those of allied countries which have specific claims for German reparation labor. According to these demands the United Kingdom requires 250,000 men, France a maximum of 2,000,000, Belgium 45,000, Norway 25,000. The labor demands of Russia and other United Nations countries are not yet known. Disarmed persons still in United Nations Western European hands who will be discharged and returned to what is now known as the Russian Zone of Occupation number 2,520,000, while those who were originally domiciled at [ina] East Prussia are estimated at 360,000.

P[ARKER] W B[UHRMAN]

No. 851

740.00119 Control (Germany) 7-2645

Memorandum by Major Harold Zink, of the Political Division, United States Group, Control Council, Germany

SECRET

GERMAN GOVERNMENTAL STRUCTURE

SECTION I. GENERAL POLICY

1. It is highly desirable that the process of reestablishing a German governmental structure be undertaken with great care and after adequate planning. The experience of American Military Government in Germany following 1918 as officially set forth in the Hunt Report clearly indicates the great peril of proceeding on the basis of expediency and inadequate knowledge. Colonel Hunt concluded that the lack of a policy founded on a thorough analysis of the complicated factors involved resulted in many weaknesses which seriously and permanently vitiated the effectiveness of American Military

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1 Printed from the final text as transmitted to the Secretary of State by Murphy as an enclosure to despatch No. 699, dated July 26. This text has only minor variations from a draft forwarded by Murphy on July 17 to James W. Riddleberger, Chief of the Division of Central European Affairs, then at Babelsberg, for use in connection with the discussions taking place at the Berlin Conference except that the draft given to Riddleberger (file No. 862.00/7-1745) did not contain paragraphs 21 and 22.

Government in Germany and led to the playing of American, British, and French occupation forces against each other by the Germans.

2. During tactical operations military expediency must necessarily receive high priority in military government; during the post-hostility period long range objectives should determine action except in special emergencies. In setting up a German governmental structure it would be short-sighted to follow the line of least resistance or to be guided by such considerations as a slight economy of military government personnel or the convenience of dealing with a minimum number of German officials. The main objective is to prevent a recurrence of such international menaces as German militarism and National Socialism. The setting up of an adequate German governmental structure has an important bearing on the above objective.

3. Steps taken to set up a German governmental system should be directed to the maximum extent toward the establishment of a structure which will be democratic in character and lasting in effect. Unless Military Government can create a German governmental system which embodies democratic principles and is so well founded that it will be retained by the Germans after the occupation has ended it will have failed in its fundamental mission.

4. Though the setting up of a satisfactory German governmental structure requires the elimination of Nazi agencies and ideology, it is not necessary to ignore the system which has developed in Germany over several centuries. The scrapping of all established machinery and units would in all probability lead to a chaos which would not only enormously complicate the problems of military government but defeat its primary objective. Insofar as possible and unless there are compelling reasons otherwise the general governmental system based on the Gemeinde-Kreis-Regierungsbezirk-Land/Provinz and the existing boundaries of the various units should be retained. In any country it is dangerous to ignore the experience of the past; in Germany where even the Nazis found it impossible to eradicate traditional governmental units such as the Länder, blind disregard of established governmental units would lead to endless difficulties and serve no useful purpose.

5. In those instances in which a change in boundaries of German governmental units is contemplated, careful regard must be given to the cultural, language, religious, geographical, economic, transportation, and related factors involved. Disregard of these factors would lead to the setting up of artificial units with little chance of permanent success. The subsequent failure of such units might cause serious problems in the future, thus jeopardizing the primary objective of Military Government.

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6. Many of the objectionable features of German government in the past have been largely due to extreme centralization. The Nazis carried an already highly centralized governmental system to a point where they controlled virtually every aspect of human activity. The JCS 1067 series \(^3\) directs that the German governmental system be decentralized and that local responsibility be developed. "Autonomy in regional, local and municipal agencies of German administrative" [administration] is to be encouraged. The primary objective of Military Government depends in no small measure on the carrying of this mandate into effect. The promotion of democratic principles requires the restoration and even the strengthening of the old self-government authority of the Landkreise, Stadtkreise, and Gemeinde. Vitality must be reinfused into the Länder. At the same time decentralization must not be interpreted so literally that it renders impossible reasonably effective provisions for public health, public safety, public welfare, housing, collection of statistics, etc.

7. Though there are fundamental differences distinguishing the Germans of Bavaria, Baden and Württemberg, for example, from their fellow-countrymen in Westphalia, Hanover, Oldenburg, and Hamburg the overriding factors make for a single German state rather than for separatism. Small groups on the Czechoslovak, French, Dutch, and other borders favor separation from Germany and union with the nearby countries. Other small groups desire to restore dynasties to ruling authority. Certain individuals have placed themselves on record as supporting the setting up of an independent Bavaria, Rhine Republic, Saar State, etc. However, there is slight evidence at present of any widespread support among the German population for the dividing up of the Reich into a number of independent countries. Nor is there any very compelling argument for separatism from the long range Military Government viewpoint, though a case can be made on the basis of possible expediency. In general, it does not appear to be realistic to expect a separatist movement of large proportions among the Germans. A separatism imposed by Military Government would bring in its wake the lack of popular support, the probable impermanence, and the many other difficulties usually attendant upon such artificial creations.

8. With decentralization mandatory and separatism unlikely to have wide support, a federal type of German governmental structure seems to offer the greatest promise of achieving the primary Military

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\(^3\) "The JCS 1067 series" refers to a draft directive to the Commander in Chief, United States Forces of Occupation in Germany, regarding the military government of Germany circulated to the Joint Chiefs of Staff as J. C. S. 1067 (text in Foreign Relations, The Conferences at Malta and Yalta, 1945, p. 143), and to subsequent drafts and papers on this subject produced during the development of the directive as finally issued in May 1945 (see Department of State Bulletin, vol. xiii, p. 596).
Government objective. Under such a system functions such as food supply, railroad administration, PTT, issuance of currency and eventually the conduct of foreign relations would be handled by a Reich government while the major part of governmental authority would be exercised at the Land/Provinz level. The Länder/Provinzen would in turn provide a maximum of autonomy at the Kreis-Gemeinde levels in accordance with JCS 1067.

9. In any federal system likely to prove effective certain basic modifications in the Länder must be undertaken. While it is not essential or indeed desirable that all Länder be uniform in area and population, it is of the highest importance that Prussia be broken up into a number of smaller units. A single Land (Prussia) which contains more than half of the area (321,787 sq. km.) and population (45,328,118 in 1939) of the entire German Reich cannot be fitted into any vital federal system of government. On the other hand but distinctly less important is the problem presented by very small Länder, such as Schaumburg-Lippe with 53,159 inhabitants in 1939, Lippe with a population of 187,220, and Anhalt with 431,422 people, which are too tiny to exercise in any very satisfactory manner the functions of really effective Länder. Though JCS 1067 directs decentralization and it is undesirable otherwise to engage in any considerable general fusion of Länder, there are strong arguments for considering the possibility of eliminating the separate identity of Länder with fewer than one million inhabitants.

SECTION II. GOVERNMENTAL LEVELS

10. Reich. Under the Nazi Regime virtually all governmental functions were centralized at the Reich level. The early military government planning was based on the assumption that the machinery at this level would be in operation at least to some extent when the Allies took over. Consequently plans were drawn for the continued operation of agencies other than those to be scrapped as Nazi creations. The fact that no central government agencies were functioning when Germany capitulated makes it necessary to reconstitute those ministries which it is desired to reestablish. While it is desirable to set up a fragmentary Reich government at an early date because of the pressing problems of food, coal, transportation, and possibly a few other items, there seems no good reason to proceed immediately to the establishment of an elaborate general system of Reich government. Executive and legislative branches clearly must be delayed until the early period of Military Government has passed. The setting up of administrative departments should depend upon the needs as revealed by developments. The principle of establishing ministries only after it has been decided that there are necessary
functions to be performed in the immediate future might well be followed. In setting up ministries the same principle of functional necessity might wisely be followed in the case of subdivisions. Any other course would not only provide unnecessary machinery but complicate and even jeopardize the process of substituting a federal system of government for the old highly centralized machinery.

11. Länder. Under a federal system substantial authority will be vested in the Länder, though this should not go so far as to transfer to the Länder the entire body of power formerly exercised by the Reich. Under the Nazis the Länder [became primarily administrative units of the Reich and their former machinery of government 4] was deprived of any considerable responsibility. It is of first-rate importance that the Länder be restored to a position of vitality and influence. On the other hand it is not desirable to give too far reaching authority to them, since such a system, though easier to supervise and of great appeal to those who are primarily impressed by immediate effectiveness, would prevent the autonomy specified in JCS 1067 and make impossible the local responsibility so necessary for educating the German people in democratic techniques.

12. Provinzen. With Prussia broken up both because of the zone lines and the necessity of ending its predominance, some provision must be made for the Provinzen. Most of them can be transformed into Länder with little difficulty. Others can be joined together into Länder. Hessen-Nassau, the only Prussian area involved in the American Zone[,] has already been given the status of a Land.

13. Regierungsbezirke. There has been some desire to abolish these units of government which have recently functioned only in Prussia and Bavaria. However, the experience of Military Government in Bavaria as well as in certain Provinzen indicates that Regierungsbezirke occupy a very necessary place in the governmental system in those Länder where the population and area are large. In Bavaria with approximately 150 Landkreise and more than 20 Stadtkreise some intermediate unit is essential between the Land government and the local governments. In those Länder with populations not exceeding two million inhabitants, such a unit is probably not necessary inasmuch as such Länder are themselves about the [same] size as Regierungsbezirke in Bavaria and Prussia. The Regierungsbezirke require the necessary authority to carry out those services which cannot be handled at the local level, but care should be taken that they do not assume complete control over the Kreise and Gemeinden, thus eliminating the very important self-government functions of the latter.

4 The passage in brackets has been supplied from the draft forwarded to Riddleberger by Murphy.
14. Local Governments. The Landkreise, Stadtkreise and Gemeinden have the closest contacts with the people of Germany. Under the Stein Reform they were to be given a large measure of control over so-called “self-government functions” and in many instances developed standards which were admired even outside of Germany. Though a start was made in the direction of placing German local government on a democratic basis the process was not permitted to continue far. Under the Nazis the remaining vestiges of local freedom disappeared and local government became very largely the creature of the Reich. The Landkreise, Stadtkreise, and Gemeinden during recent years have been little more than administrative units, though in theory the sphere of “self-government” authority has been maintained. A major objective of Military Government calls for the reconstituting of German local government on the basis of as much local autonomy as is consonant with a reasonably effective handling of problems. The most promising method of training the Germans in democracy is to give them a large measure of responsibility in conducting their own local affairs. It is important that the emphasis should not be solely on the most efficient system of controls, the greatest economy of funds or personnel, the easiest way for MG officers to supervise (though these are of course not to be disregarded), for these are immediate matters. Relative inefficiency is tolerable, indeed desirable, if democratic experience can be provided. On the other hand, it is unrealistic to believe that full local autonomy is feasible in this age of complicated problems. Moreover, the helplessness engendered by extreme centralization exhibited by many local officials makes some measure of higher supervision essential, especially during the immediate future. Food rationing, coal supply, public health, and other related problems cannot possibly be left to the local units. However, local public works, public safety, recreation, welfare, housing and education are fields in which every effort should be made to promote local responsibility and interest. Considerable leeway should be feasible in administering local finances.

15. Special Districts. The Nazis gave great impetus to a movement already underway in Germany which provided special districts for the handling of various functions. Finance, labor, food rationing and production, economic matters, PTT, transportation, and a number of other governmental functions were removed from the traditional government units and administered on the basis of special districts which were by no means unified in boundaries. The result was an enormously complicated system which few citizens could be

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5 For details concerning the “Stein Reform”, see J. R. Seeley, Life and Times of Stein, or Germany and Prussia in the Napoleonic Age (Cambridge, 1878), and Guy Stanton Ford, Stein and the Era of Reform in Prussia, 1807–1816 (Princeton, 1922).
expected to keep in mind. Decentralization and the accompanying emphasis on the promotion of democracy require the fusion of most of those special districts with the regular units of government. Such a step will strengthen the Länder and local units of government, make it easier for the people to know their governmental system, and obviate some of the duplication and waste which naturally accompany such an elaborate structure. PTT and railroad districts may be exceptions to the rule since they depend upon transportation facilities which may have little relation to Länder boundaries. A case can obviously be made for the maintenance of all of these special districts, but overall considerations of simplification and democratization call for fusing them into the Land/Regierungsbezirk/Kreis system.

(SECTION) III. MISCELLANEOUS

16. Executive Agency. Executives subject to strict MG control have in general been installed by Military Government up to and including the Land level. Until the reconstituting process has been carefully observed and found satisfactory in operation, including the establishment of such Reich ministerial machinery as is necessary, it is not intended that a Reich executive agency shall be set up. The Control Council will act as an executive at the Reich level. In the past German executives have been appointed, except in a few instances such as Bürgermeister in Württemberg for a brief period. This system is in general probably better adapted to Germany than an elective one, but a provision under which Bürgermeister in Gemeinden, Oberbürgermeister in Stadtkreise, and Landräte in Landkreise would be popularly elected after elections are permitted might contribute to the building up of local responsibility for government. In any case the selection of anti-Fascists with adequate professional qualifications, strong personal characteristics, and not too advanced in years is of the greatest importance.

17. Legislative Bodies. Legislative bodies either ceased to exist entirely or became powerless under the Nazi system. During the early period of Military Government no elected legislative bodies can be permitted, but advisory bodies should be established at least on the local level. When elections are authorized, legislative bodies should be first organized in the Kreise and Gemeinden. Then the provision should be extended to the Regierungsbezirke and Länder. Only after it has been decided that a general Reich government is desirable should a provision be made for a national legislative body. In setting up legislative bodies every attempt should be made to endow them with definite authority which will permit a large measure of freedom in matters relating to their respective units of government.
18. **Courts.** Military Government plans call for the reestablishment of German courts beginning with the *Amtsgerichte* as soon as conditions permit and satisfactory personnel are available. Numerous *Amtsgerichte* have already been reopened as well as a small number of *Landgerichte*. Higher courts should be provided as rapidly as conditions warrant. Lower administrative courts should be reconstituted as soon as the necessary personnel can be screened. The numerous special courts which under the Nazis made the German judicial system excessively complicated should be eliminated in large measure from the court system.

19. **Civil Service.** The German Civil Service is probably the oldest and one of the largest, if not the largest, in the world. During the years 1933–1945 severe pressure led the majority of the civil servants to become at least nominal members of the NSDAP. Civil servants with Nazi allegiance will be removed and disqualified insofar as they hold executive or policy-determining positions. While wide attention has been given to the denazification of the Civil Service, comparatively little has been heard of an equally serious problem involving the bureaucratic and anti-democratic traditions of civil servants, especially in the higher and middle classes. There is substantial evidence that the attitude of the civil servants was an important contributing factor in the scuttling of the Weimar Republic. Military government may have to make immediate use of those civil servants who pass the Nazi vetting test irrespective of their lack of sympathy with democratic traditions, but it would be a very short-sighted policy to continue these civil servants in position indefinitely on the basis of their technical qualifications, at least insofar as they are employed in those departments having political character, where the opportunities to sabotage the democratic achievements of Allied Military Government at a critical moment are unsurpassed. Vigorous effort should be made in the direction of setting up training programs for new civil servants which will be free from the pernicious emphasis of bureaucracy. Special titles and perquisites which set the civil servant apart and serve as foundations of the bureaucratic system should be eliminated. The civil service system which had been completely nationalized, even to local government employees, should be reconstituted on a *Land* basis, giving reasonable leeway to the local units in handling their own personnel problems.

20. **Military Government Control.** Allied Military Government must assume responsibility for the supervision of German government indefinitely. As and when this control is ended, it should follow the procedure of giving full responsibility to the Germans on the *Kreise* and *Gemeinden* levels first. If that proves satisfactory, controls may be removed at the *Regierungsbezirk* level. Military Government con-
control at both the Land and Reich levels must be continued throughout the occupation.

In exercising control Military Government should work primarily through a single German official, i.e. Minister President of a Land, Regierungspräsident of a Regierungsbezirk, Landrat of a Landkreis, Oberbürgermeister of a Stadtbezirk, or Bürgermeister of a Gemeinde, holding this official strictly responsible for the entire performance of the government unit concerned. This does not mean that no contact can be had with other German officials, but if control responsibility is subdivided it will inevitably lead to evasion of final accountability by the Germans and thus cause confusion and unsatisfactory performance.

Military Government officials cannot expect to exercise adequate control unless they spend much of their time in the field, observing at first hand the operations of the German governments they supervise.

21. Elections. Elections are not contemplated during the initial period of Military Government. However, as soon as Military Government experience at the Gemeinde and Kreis levels indicates that German government has reached a point where elective councils can function to advantage local elections should be authorized. Appointive advisory councils should in the meantime precede such a step. As developments at the local level demonstrate that the German people can properly be entrusted with responsibility, the election process should be extended to Regierungsbezirk councils and then to the Landtage. National elections must be postponed until such a time as it is decided to establish a full Reich government with executive and legislative powers.

22. Political Parties. The JCS 1067 series provides that “no political activities of any kind shall be countenanced unless authorized by” the Commanding General of the U.S. Forces. This has properly been construed to ban political parties during the initial period of occupation. There is fairly extensive evidence of a desire on the part of a limited number of former Social Democrats, Democrats, Centrists and other Middle and slightly Rightist groups to become active as political parties. Communists are more insistent on their resumption of political activity. Anti-fascist groups tending to be dominated by Communists though including in their numbers representatives of middle and left center ideologies are to be encountered in many urban sections. A limited amount of freedom should be given to political parties, especially on the local level, as soon as the German governmental system has developed sufficient stability. If this arrangement works out greater leeway should be given and activities should be permitted on a Land level. Authorization of national political organizations would depend upon the decision to authorize a Reich legislative body.
It is highly desirable that the number of political parties be reduced sharply below that which characterized the Weimar Republic, inasmuch as a multiplicity of parties contributed in no small way to the weakness of that government and would in all probability have a similar effect in the future. It would not be feasible for Military Government to set an arbitrary limit on the number of political parties in Germany, for any such provision would not only be difficult to enforce but lead to an undesirable artificiality. However, encouragement insofar as may be possible should be given by Military Government to a system under which there would be two or three major political parties.

No. 852

Truman Papers

Proposal by the United States Delegation

[BABELSBERG, July 17, 1945.]

PROPOSED AGREEMENT ON THE POLITICAL AND ECONOMIC PRINCIPLES TO GOVERN THE TREATMENT OF GERMANY IN THE INITIAL CONTROL PERIOD

Authority of the Control Council

1. The authority of the Control Council to initiate plans and reach agreed decisions on the chief military, political, economic and other questions affecting Germany as a whole shall be paramount in Germany, and those plans and decisions shall be carried out in each zone of occupation by the national Commander-in-Chief concerned. In matters exclusively affecting his own zone, each national Commander-in-Chief shall exercise supreme authority in accordance with directives received from his own government.  

Political Principles

2. The purposes of the occupation of Germany by which the Control Council shall be guided are:

(i) The complete disarmament of Germany and the elimination or control of all German industry that could be used for military production. To these ends:

(a) The German armed forces, including the General Staff and all para-military organizations, shall be demobilized as

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1 Attachment 2 to the minutes of the First Plenary Meeting, July 17. See ante, p. 52. This document bears the following typed notation: "Handed in by President at first Plenary Meeting of Heads of State, July 17 but not read."

2 Dunn's copy of document No. 214 (see vol. 1) has the following marginal note in his handwriting opposite this paragraph: "go back to original language in CC machinery." See ante, p. 72.
soon as practicable and disbanded in such manner as permanently to prevent their revival or reorganization; and

(b) all arms, ammunition and implements of war and all specialized facilities for their production shall be seized or destroyed. The maintenance and production of all aircraft and all arms, ammunition and implements of war shall be prevented.

(ii) To convince the German people that they have suffered a total military defeat and that they cannot escape responsibility for what they have brought upon themselves, since their own ruthless warfare and the fanatical Nazi resistance have destroyed German economy and made chaos and suffering inevitable.

(iii) To destroy the National Socialist Party and its affiliated and supervised organizations, to dissolve all Nazi institutions, to ensure that they are not revived in any form, and to prevent all Nazi and militaristic activity or propaganda.

(iv) To prepare for the eventual reconstruction of German political life on a democratic basis and for eventual peaceful cooperation in international life by Germany.

3. Nazi laws which proved [provided] the basis of the Hitler regime or which establish discriminations or [on] grounds of race, creed, or political opinion shall be abolished. No such discriminations, whether legal, administrative or otherwise, shall be tolerated.³

4. War criminals and those who have participated in planning or carrying out Nazi enterprises involving or resulting in atrocities or war crimes shall be arrested and brought to judgment. Nazi leaders and influential Nazi supporters and any other persons dangerous to the occupation or its objectives shall be arrested and interned.

5. All members of the Nazi Party who have been more than nominal participants in its activities and all other persons hostile to Allied purposes shall be removed from public and semi-public office, and from positions of responsibility in important private undertakings. Those Germans who are permitted to remain in, or are appointed to, official posts (e.g. in the police or the administration) should understand that they hold office only during good behaviour.⁴

6. German education shall be so controlled as completely to eliminate Nazi and militarist doctrines and to make possible the development of democratic ideas.

7. The administration of affairs in Germany should be directed towards the decentralization of the political structure and the development of local responsibility. To this end:

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³ Byrnes made the following shorthand entry in the margin of his copy of document No. 214 opposite this paragraph: "In addition to the measures already adopted, all Fascist laws as well as all Fascist decrees, orders [instruments should be] abolished as [directed] against democratic liberties, civil rights and the interest of the German people." See ante, p. 73.

⁴ In Byrnes' and Dunn's copies of document No. 214 the final sentence of this paragraph has been stricken. See ante, p. 73.
(i) Local self-government shall be restored throughout Germany through elective councils.  
(ii) Non-Nazi political parties with rights of assembly and of public discussion shall be allowed and encouraged throughout Germany.  
(iii) Representative and elective principles shall be introduced into regional, provincial and state (Land) administration as rapidly as results of local self-government seem to warrant.  
(iv) For the time being no Central German Political 5 Government shall be established.

8. Subject to the necessity for maintaining military security, freedom of speech, press and religion shall be permitted, and religious institutions shall be respected. Subject likewise to the maintenance of military security, the formation of free trade unions shall be permitted.

Economic Principles

9. The German economy shall be decentralized, except that to the extent required for carrying out the purposes set forth herein, the Control Council shall permit or secure the establishment of central controls.

10. In the imposition and maintenance of economic controls, German authorities shall to the fullest extent practicable be ordered to proclaim and assume administration of such controls. Thus it should be brought home to the German people that the responsibility for the administration of such controls and any breakdown in those controls will rest with themselves and their own authorities. Any German controls which run counter to the objectives of occupation will be abolished.

11. Allied controls shall be imposed upon the German economy but only as may be necessary:—

(a) to carry out programs of industrial disarmament and demilitarization, of reparations, of relief for liberated areas and of other supplies as may be notified;  
(b) to assure the production and maintenance of goods and services required to meet the needs of the occupying forces and displaced persons in Germany and essential to prevent starvation, disease or civil unrest;

5 In Dunn’s copy of document No. 214, the words “at the discretion of CC” have been added in his handwriting to this subparagraph, and the following manuscript notation by Dunn has been made in the margin: “unless it interferes with other zones”. See ante, pp. 74–75.

6 In Byrnes’ and Dunn’s copies of document No. 214, the word “Political” has been stricken. See ante, pp. 74–75.

7 In Dunn’s copy of document No. 214, the following marginal entry in his handwriting is indicated for insertion at this point: “and any existing restrictions will be progressively relaxed”. See ante, p. 75.
(c) to ensure the equitable distribution of essential commodities between the several zones;
(d) to control German industry and all economic and financial international transactions, including exports and imports, with the aim of preventing Germany from developing a war potential and of achieving the other objectives named herein. For the same purpose no extension of credit to Germany or Germans by any foreign person or Government shall be permitted, except in special emergencies on notice to the Control Council which shall have power to prohibit such transactions.

12. The principles governing the exaction of reparations from Germany are set forth in Annex I to this agreement.
13. During the period of occupation, Germany shall be treated as a single economic unit. To this end:

(i) No barriers should be erected to the movement of goods and services which are required for

(a) the maintenance of occupying forces and displaced persons, and (b) the maintenance of a subsistence standard of living in Germany, and (c) subject to the requirements of (a) and (b) above, the discharge of Germany's reparation obligations.

(ii) To the fullest extent possible there shall be uniform ration scales throughout Germany.
(iii) To the fullest extent possible there shall be uniform policies for industry and agriculture throughout Germany.
(iv) There shall be programs for imports and exports for Germany as a whole.
(v) There shall be agreed programs on German coal production and allocation.
(vi) There shall be centralized organization of transport.
(vii) There shall be established a centralized control of currency.

14. This agreement does not apply to Austria.

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No. 853

Pauley Files

United States Delegation Working Paper

[BABELSBURG,] July 18, 1945.

Memorandum to Ambassador Pauley

In accordance with your instructions, your staff has reviewed the "Proposed Agreement on the Political and Economic Principles to Govern

1 Prepared by Pauley's staff at Babelsberg.
the Treatment of Germany in the Initial Control Period," 2 and respectfully submits the following comments and suggestions:

Appendix A: 3

(1) Insert the following at the beginning of the first sentence:

"Subject to the policies and provisions of any Agreements entered into between the Governments of the USSR, UK, and USA, . . ." 4

(11) (b) The terms "starvation, disease and civil unrest" are noted. Under this, the area commander may in his own discretion maintain any plants that he may desire. This is broad power.

(d) The only financing that should be permitted should be incident to exports which are required for approved imports. Otherwise, our policy that exports should be a first charge against imports, would be undermined.

(13) Sentence should be amended by insertion of clause as indicated by underscoring: 5

"During the period of occupation, the German Reich as its boundaries existed on December 31, 1937, shall be treated as a single economic unit."

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2 Document No. 852.
3 Document No. 852 was originally appendix A to part 3 of document No. 214 (see vol. 1).
4 Ellipsis in the original.
5 Here represented by italics.

No. 854

800.5157-545

The Director of the Office of Financial and Development Policy (Collado) to the Assistant Secretary of State (Clayton) and the Secretary of State

[BABELSBERG, July 18, 1945.]

WAR DEPARTMENT RESPONSIBILITY FOR GERMAN INTERIM FINANCING

1. On July 5 the Secretary transmitted a memorandum 1 to the President, a copy of which is attached, outlining policy agreed in Washington for U. S. participation in German interim financing. The short annex 2 included in the German political and economic policy directive put forward yesterday by the President 3 follows this line exactly.

1 Document No. 346, printed in vol. 1.
2 Document No. 348, printed in vol. 1.
3 The reference is to document No. 852, which Truman introduced at the First Plenary Meeting, July 17. See ante, p. 52. Collado's memorandum is the only indication found that the United States Delegation paper entitled "German Import Program" (see vol. 1, document No. 348) was annexed to the proposal put forward by Truman at that meeting.
2. It is essential that responsibility be clearly fixed upon one U. S. Agency for all U. S. financing with respect to all imports into Germany for which the Government of the United States assumes responsibility. The memorandum of July 5 recommends that the responsibility be placed upon the War Department.

3. No reply has been received from the President. Since problems relating to responsibility for financing certain types of imports into the U. S. Zone have already arisen, and the necessity for handling the United States' share of any combined financing should soon arise if the President's proposals are adopted, it is important that an early decision be sought.

E[MILIO] G[COLLADO] 4

4 On the original Collado's initials appear at the head of the memorandum.

No. 855
740.00119 Control (Germany)/7-1745
Memorandum by the Central Secretariat 1

TOP SECRET [WASHINGTON,] July 18, 1945.
SC-145b

PROPOSED COMMUNICATION TO THE SECRETARY AT THE BERLIN MEETING ON THE OBJECTIVE OF THE UNITED STATES GOVERNMENT IN THE OCCUPATION OF GERMANY

There is attached a redraft of the proposed communication to the Secretary on the objective of the United States Government in the occupation of Germany.

This redraft has been prepared by Mr. MacLeish in the light of comments in the meetings of the Staff Committee on July 16 and July 17. 2

[Annex 3]

Subject: Objective of the United States Government in the Occupation of Germany

(1) The Allied purpose with respect to the future of Germany was stated in the communiqué issued at the close of the Crimea Conference

1 Circulated to the Secretary's Staff Committee. Cf. document No. 349, printed in vol. 1.
2 The Secretary's Staff Committee decided at its 141st Meeting on July 17 that this paper should be forwarded to Byrnes at the Conference.
3 Printed from the unsigned hectographed copy circulated to the Secretary's Staff Committee.
as being “to ensure that Germany will never again be able to disturb the peace of the world”.

(2) This objective was to be achieved by the unconditional surrender of Germany and its occupation by the Allied armies which would apply certain measures of control, political, economic, and social. The achievement of the objective by the destruction of the German people was never considered as a possibility. Even the partition of Germany was rejected. Reliance was put upon the occupation as the means of attaining the end in view.

(3) Programs of occupation have been developed by the Allied governments, but their relation to the overall purpose “to ensure that Germany will never again be able to disturb the peace of the world” has not been defined. It is essential to the successful administration of any program or programs of occupation ultimately approved that their relation to the end purpose should be clearly understood by those responsible for their direction.

(4) It is sometimes assumed that the occupation of Germany will remove the German threat to the peace of the world solely by destroying the German war potential. It is undoubtedly true that certain measures contemplated will deprive Germany not only of existing arms but of the materials and machines necessary to the waging of modern war. It is highly improbable, however, that the occupation will deprive Germany permanently of the material means of waging war, since it is highly doubtful that the occupation itself will be permanent.

(5) An illustrative parallel can be drawn between the treatment of Germany and the treatment of individual criminals in modern penal institutions. It is well-known to penologists that, although numerous criminals are condemned to prison for life, and even for terms beyond life expectancy, few such criminals ever die in prison. The violence of the public demand for severe punishment declines rapidly as time passes, and life-term convicts are commonly released, at first under parole and then completely, after fifteen to eighteen years. There are already signs that the violence of the demand for German punishment is subsiding, and it is highly improbable that Allied occupation of Germany—at least American occupation—can be continued beyond the period of a few years.

(6) Furthermore, the principal war potential of Germany is not German industry or German raw materials. The principal war potential of Germany is the German people whose industrial and scientific aptitude and whose docility in accepting military and social discipline have been demonstrated over a considerable period of time.

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4 See document No. 1417, section II.
Since the destruction of the German people is not thinkable, and since it is unlikely, not to say inconceivable, that the German people will be kept under permanent control and surveillance from without, it would follow that the Allies cannot put their sole or even their principal reliance, for the achievement of their over-all purpose, on the destruction of the material means of making war.

(7) Over and above their reliance upon the destruction of the material means of waging war, the Allies will be obliged to attempt to bring about a change in the attitude toward war of the German people. If we are not prepared to destroy the German people, and if we are not prepared to police the German people permanently, we must attempt to change the German people in such a way that the German nation, when finally freed of occupation and surveillance, will be a nation which will not be a threat to the peace of the world.

(8) A relevant consideration is the fact that weapons developed, or in the course of development, during the present war indicate not only that future wars will be increasingly destructive but that they will be waged with weapons which a scientifically and industrially-minded people can produce under conditions which will make surveillance difficult.

(9) If this analysis is substantially correct, then the purpose of the German occupation is to remove the German threat to peace by changing the German attitude toward peace. We are occupying Germany, in other words, with a view to changing the social and political character of the nation to such an extent that Germany can be trusted at some future time with independent existence as a nation in a world in which weapons will be more destructive and more difficult to control than they have ever been before.

(10) It should be noted that this objective conforms to the objectives of the United Nations Organization and to the situation which the establishment of that Organization will create. A peaceful and peace-loving Germany could be introduced at some appropriate time into the United Nations where the measures of the Organization for security and for peace could be brought to play affirmatively rather than negatively.

(11) The explicit recognition that the occupation of Germany is intended to produce a change in the German people would enable us to plan the various measures of occupation more intelligently and to administer them more effectively. At the present time, there is a tendency to make a distinction between political, economic, and military measures for Germany, on the one hand, and measures for what is called the "reeducation" of the German people on the other. Actually, if the present analysis is correct, all aspects of the occupation, whether military, or economic, or political, or social, have one end
objective, which is largely psychological: to create a Germany which can be trusted to exist without continuing occupation and surveillance—a Germany which can be re-admitted to the society of peaceful nations. The success of all measures taken in the occupation should therefore be judged not by their immediate consequences alone but by their ultimate effect upon the social and political structure of Germany.

(12) There will, of course, be conflicts from time to time between the short-term objectives and the long-range purpose of the occupation. For example, the use of German output for the relief of liberated areas may create economic distress in Germany which will make the labor of the conversion of Germany to our views and our outlook more difficult. However, the explicit recognition of the true long-range objective of the occupation, whether or not in conflict with certain short-term purposes, is essential to the success of the undertaking.

(13) Something more is required, however, than the explicit declaration of this purpose. The purpose must also be warmly approved and not shme-facedly admitted. It is our intention to employ every means at our disposition, economic and political means as well as the more direct means of education and information, to produce the change in German thinking and German beliefs and German psychology which we desire.

(14) Furthermore, we must be clear in our own minds, not only as to the Germany we wish to change but as to the Germany we wish to put in its place. The soul of man abhors a vacuum quite as much as nature abhors one. You cannot replace something with nothing in the mind of an individual or the mind of a nation. We must assume, although we have no explicit knowledge, that the Russians are clear as to their intentions on this point. Presumably they propose to substitute for Nazi Germany a Germany at least sympathetic to Communism. We presumably believe that a Germany converted to respect for the worth and dignity of human beings and a belief in the basic principles of justice and in the right of men to govern themselves would be a Germany which we could trust. If this, however, is our purpose, we must recognize it and pursue it consciously. We must play again the role we played at the beginning of our history. We must be ready and willing to propagate ideas of liberty and justice and human dignity.

(15) The important point, however, is to ascertain at the earliest possible moment what the other occupying powers have in mind with reference to the kind of Germany to be set up and the means by which it is to be established. It has been pointed out in a paper delivered to the Secretary on the subject of German reeducation⁶ that it is highly

⁶ Enclosure to document No. 343, printed in vol. i.
desirable that the occupying powers should reach an understanding as to the common denominators of a policy for reeducation in order that Germany may not be turned, under the occupation, into an ideological cockpit. If the analysis of the present paper is correct, the same considerations would lead to the same conclusion as to the entire program of occupation. It is therefore recommended that conversations be undertaken in the early future to determine, if possible, a common Allied position as to the question of the kind of Germany we wish to see established and the means by which we propose to bring it about.

No. 856

Truman Papers

Report by the Subcommittee on German Political Questions

[BABELSBERG, July 19, 1945.]

PROPOSED AGREEMENT ON THE POLITICAL AND ECONOMIC PRINCIPLES TO GOVERN THE TREATMENT OF GERMANY IN THE INITIAL CONTROL PERIOD

Political Principles

1. In accordance with the Agreement on Control Machinery in Germany, supreme authority in Germany is exercised, on instructions from their respective Governments, by the Commanders-in-Chief of the armed forces of the United States of America, the United Kingdom, 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 Control Council.

2. The purposes of the occupation of Germany by which the Control Council shall be guided are:

(i) The complete disarmament and demilitarization of Germany and the elimination or control of all German industry that could be used for military production. To these ends:

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1 Although not attached to the minutes of the Second Meeting of the Foreign Ministers, July 19 (ante, p. 102), this paper is clearly the text submitted to that meeting. The source copy bears the following manuscript notation by Truman: "Agreed".

2 Despite this word in the heading, only political principles are dealt with in the document.

3 i.e., the agreement signed at London, November 14, 1944, as amended by an agreement signed at London, May 1, 1945. For texts, see Treaties and Other International Acts Series No. 3070; United States Treaties and Other International Agreements, vol. 5, pt. 2, p. 2062. Text of the agreement of November 14, 1944, also in Foreign Relations, The Conferences at Malta and Yalta, 1945, p. 124.
(a) All German land, naval and air forces, the S. S., S.A., S.D.
and Gestapo, with all their organizations, staffs and institutions,
including the General Staff, the Officers’ Corps, Reserve Corps,
military schools, war veterans’ organizations and all other mili-
tary and quasi-military organizations, together with all clubs
and associations which serve to keep alive the military tradition
in Germany, shall be completely and finally abolished in such
manner as permanently to prevent the revival or reorganization
of German militarism and Nazism;

(b) All arms, ammunition and implements of war and all
specialized facilities for their production shall be held at the
disposal of the Allies or destroyed. The maintenance and pro-
duction of all aircraft and all arms, ammunition and implements
of war shall be prevented;

(ii) To convince the German people that they have suffered a total
military defeat and that they cannot escape responsibility for what
they have brought upon themselves, since their own ruthless warfare
and the fanatical Nazi resistance have destroyed German economy
and made chaos and suffering inevitable.

(iii) To destroy the National Socialist Party and its affiliated and
supervised organizations, to dissolve all Nazi institutions, to ensure
that they are not revived in any form, and to prevent all Nazi and
militaristic activity or propaganda.

(iv) To prepare for the eventual reconstruction of German political
life on a democratic basis and for eventual peaceful cooperation in
international life by Germany.

3. All Nazi laws which provided the basis of the Hitler regime or
established discriminations on grounds of race, creed, or political
opinion shall be abolished. No such discriminations, whether legal,
administrative or otherwise, shall be tolerated.4

4. War criminals and those who have participated in planning or
carrying out Nazi enterprises involving or resulting in atrocities or
war crimes shall be arrested and brought to judgment. Nazi leaders,
influential Nazi supporters and high officials of Nazi organizations
and institutions and any other persons dangerous to the occupation
or its objectives shall be arrested and interned.

5. All members of the Nazi Party who have been more than nominal
participants in its activities and all other persons hostile to Allied
purposes shall be removed from public and semi-public office, and
from positions of responsibility in important private undertakings.

4 There is the following information on this paragraph in a personal letter
from James W. Riddleberger, Chief of the Division of Central European Affairs,
to Henry P. Leverich and David Harris, Acting Chief and Assistant Chief,
respectively, of that Division, dated at Potsdam, July 21, 1945 (file No. 740.00119
(Potsdam)/7-2145): “There was a hot debate on paragraph 3 as Vyshinski wished
to abolish all laws passed under Hitler. We were finally able to talk him out of
it, so the paragraph remains practically as drafted originally.”
Such persons shall be replaced by persons who, by their political and moral qualities, are deemed capable of assisting in developing genuine democratic institutions in Germany.

6. German education shall be so controlled as completely to eliminate Nazi and militarist doctrines and to make possible the successful development of democratic ideas.

7. The judicial system will be reorganized in accordance with the principles of democracy, of justice under law, and of equal rights for all citizens without distinction of race, nationality or religion.\(^5\)

8. The administration of affairs in Germany should be directed towards the decentralization of the political structure and the development of local responsibility. To this end:

(i) local self-government shall be restored throughout Germany on democratic principles and in particular through elective councils as rapidly as is consistent with military security and the purposes of military occupation;

(ii) all democratic political parties with rights of assembly and of public discussion shall be allowed and encouraged throughout Germany;

(iii) representative and elective principles shall be introduced into regional, provincial and state (\textit{Land}) administration as rapidly as may be justified by the successful application of these principles in local self-government;

(iv) for the time being no central German government shall be established.\(^6\)

9. Subject to the necessity for maintaining military security, freedom of speech, press and religion shall be permitted, and religious institutions shall be respected. Subject likewise to the maintenance of military security, the formation of free trade unions shall be permitted.

\(^5\) In the letter cited in the preceding footnote, Riddleberger wrote as follows concerning this paragraph: "Paragraph 7 is new and was inserted at the request of Vyshinski who felt that some mention should be made of the judicial system."

\(^6\) In the letter cited in footnote 4, \textit{ante}, Riddleberger wrote as follows concerning this paragraph: "There was a long discussion on paragraph 8, which you will see has been somewhat modified from our original draft [document No. 852]. The British were inclined to drag their feet on the question of elections, and the Russians did not seem to be overly enthusiastic. However, I think we have put this matter in a way which will enable us to go ahead at a local level and will commit the other two governments in principle at least to the same idea."
No. 857

United States Delegation Working Paper

SECRET

[BABELSBERG,] July 19, 1945.

PROBABLE SOVIET AMENDMENTS TO GERMAN PAPER

1. The last part Article 9: 2 "The Control Council shall permit to remain under the administration of central institutions or shall transfer to administration by such institutions." (sentence incomplete in Russian.)

2. Article 10, first sentence: "In the establishment and maintenance of administration in the economic sphere the German authorities shall to the fullest extent practical be ordered to carry out such administration."

3. Article 11: "With respect to the German economy Allied control will be carried out but only to such an extent as may be necessary:"

4. Article 13 (1): "which are required for (a) the discharge of Germany's reparation obligations; (b) the maintenance of occupying forces or displaced persons; (c) the maintenance of the standard of living in Germany."

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1 This paper, apparently a United States Delegation translation of informal or tentative Soviet suggestions, is not referred to in the minutes, and may relate to negotiations in the Economic Subcommittee. A notation in manuscript reads: "official file copy, Russian Proposals".

2 The articles referred to are the numbered paragraphs of document No. 852.

No. 858

Frankfurt USPOLAD Files—500 Berlin Conference

Texts Considered by the Economic Subcommittee

[BABELSBERG, July 19, 1945.]

9. The German economy shall be decentralized for the purpose of eliminating the present, excessive concentration of economic power as exemplified by cartels, syndicates, trusts and other monopolistic arrangements. Notwithstanding this, however, and for the purpose of achieving the objectives set forth herein, central administration of certain forms of governmental machinery, including in particular

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1 Each paragraph is on a separate page headed "Economic Sub Committee 11 A. M.—July 19, 1945".
Finance, Transportation and Communications, shall be restored or maintained.  

10. In the imposition and maintenance of economic controls authorized by the Control Council, German administrative machinery shall be established and the German authorities shall be required to the fullest extent practicable to proclaim and assume administration of such controls. Thus it should be brought home to the German people that the responsibility for the administration of such controls and any breakdown in these controls will rest with themselves. Any German controls which run counter to the objectives of occupation will be abolished.

11. Allied controls shall be imposed upon the German economy but only as may be necessary:

(a) to carry out programs of industrial disarmament and demilitarization, of reparations, and of approved exports and imports.
(b) to assure the production and maintenance of goods and services required to meet the needs of the occupying forces and displaced persons in Germany and essential to maintain in Germany average living standards not exceeding the average of the standards of living of European countries. (European countries means all European countries excluding U. K. and U. S. S. R.).
(c) to ensure the equitable distribution of essential commodities between the several zones so as to produce a balanced economy throughout Germany and reduce the need for imports.
(d) to control German industry and all economic and financial international transactions, including exports and imports, with the aim of

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2 This paragraph bears the following typed notation, “Wording tentatively agreed”. Attached to the following paragraph (and bearing the manuscript notation “#10”) is an earlier draft of this paragraph, the first sentence of which reads: “The German economy shall be directed towards de-centralisation.” Manuscript changes made by Murphy on the face of this draft alter the text to that of the “tentatively agreed” paragraph 9 printed above. No changes were made in the second sentence. Murphy marked the draft “Preliminary acceptance.”

3 This paragraph bears the typed notation, “Wording tentatively agreed” and the following manuscript notation by Murphy: “OK RM”. Murphy, in a memorandum of November 8, 1954, has supplied the information that this notation, and the similar notations noted in the following footnotes, meant “that our representation on the Economic Subcommittee, headed by Will Clayton, was in accord or approved the text under reference.” Attached is the following “Proposed Amendment” (obviously an earlier proposed amendment of paragraph 10 of document No. 552): “The imposition and maintenance of economic controls, German authorities shall have administrative machinery shall be established and required to the fullest extent practicable be ordered to proclaim and assume administration of such controls. Thus it should be brought home to the German people that the responsibility for the administration of such controls and any breakdown in these controls will rest with themselves and their own authorities. Any German controls which run counter to the objectives of occupation will be abolished.” Manuscript changes made by Murphy on the face of this “proposed amendment” alter the text to that of the “tentatively agreed” language printed above, except that the last word of the paragraph, as corrected in Murphy’s hand, is “prohibited” rather than “abolished.”
preventing Germany from developing a war potential and of achieving the other objectives named herein. For the same purpose no grant of credit to Germany or Germans by any foreign persons or Government shall be permitted except with the approval of the Control Council.4

12. The production of arms, ammunition and implements of war, including all types of aircraft and ocean-going ships, shall be prohibited and prevented. Production of metals, chemicals and machinery shall be rigidly controlled and restricted to minimum, peacetime needs. Production of selected key items within these industrial fields shall be wholly eliminated. Productive capacity not needed for permitted production shall be removed or destroyed.5

13. The principles and conditions governing the exaction of reparations from Germany are set forth in Annex I6 to this agreement.7

14. Measures shall be promptly taken:
   (a) to effect essential repair of transport;
   (b) to enlarge coal production;
   (c) to maximize agricultural output; and
   (d) to effect emergency repair of housing and essential utilities.8

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4 This paragraph bears the typed notation, "Wording tentatively agreed:" and the following manuscript notation by Murphy: "OK RM". Cf. footnote 3, supra.
5 This paragraph bears the typed notation, "To be considered further:" and the following manuscript notation: "OK as amended".
6 See document No. 894.
7 This paragraph, renumbered "14" by hand, bears the typed notation, "Wording tentatively agreed:" and the following manuscript notation by Murphy: "OK RM". Cf. footnote 3, ante.
8 This paragraph, renumbered "16" by hand, bears the typed notation, "To be considered further:" and the following manuscript notation by Murphy: "OK RM". Cf. footnote 3, ante.

No. 859

Pauley Files

Draft of Report by the Economic Subcommittee 1

[Undated.]

DRAFT REPORT OF THE ECONOMIC SUB-COMMITTEE

We have considered the proposals in a memorandum by the United States Delegation on the Economic Principles to govern the treatment of Germany in the initial control period,2 together with the Annex dealing with reparations.3

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1 The text here printed includes a number of minor manuscript revisions.
2 Document No. 852.
3 Document No. 894.

[No. 859]
We have unanimously agreed to recommend the adoption of the Economic Principles set out in Appendix A, subject to the reservation in paragraphs A and B below.

We have also agreed on the contents of the Annex on reparations, subject to the points of disagreement recorded in paragraphs C to [blank] below. The text is given in Appendix B,\(^4\) points in dispute being sidelined.\(^5\)

\(^5\) There are three matters in addition to those mentioned in paragraph 12\(^7\) on which a common policy is essential in the treatment of Germany as a single economic unit:

2. Movement of German population between the zones for the purpose of achieving the objectives laid down in paragraph 13.
3. Subject to normal regulations, free circulation of British, U. S., Soviet and French nationals in all zones by land and air.

The Sub-Committee considered that these points, while having economic significance, had a wide political application. They therefore recommend that the Foreign Secretaries should consider them for inclusion in the Political Principles.

C. Reparations

The U. K. and U. S. representatives consider that it is essential that such necessary imports into Germany as are approved by the Governments controlling Germany shall constitute a first charge against exports from Germany of current production and stocks of goods. The Russian representatives do not accept this principle and express the view that reparation deliveries should have priority and that imports into Germany should, if necessary, be confined to the amount that can be paid for by exports from Germany.

\(^4\) No paper identifiable as appendix B has been found.
\(^5\) For the paragraph omitted at this point, see document No. 1041.
\(^7\) Immediately before paragraph B the following paragraph has been stricken on the source copy: "B. In submitting their report on the Economic Principles to govern the treatment of Germany in the initial control period, the Economic Sub-Committee wish to draw attention to the following point."

\(^7\) The numbering of the paragraphs in this draft report corresponds to the revised numbering in the paper tentatively identified as appendix A thereto, infra.
ECONOMIC PRINCIPLES

19. 9. In order to eliminate Germany’s war potential, the production of arms, ammunition and implements of war, including all types of aircraft and sea-going ships, shall be prohibited and prevented. Production of metals, chemicals and machinery and other items that are directly necessary to a war economy shall be rigidly controlled and restricted to minimum, postwar peacetime needs. Production of selected key items within these industrial fields shall be wholly eliminated. Productive capacity not needed for permitted production shall be removed or destroyed.

9. 10. The German economy shall be decentralized for the purpose of eliminating the present, excessive concentration of economic power as exemplified by cartels, syndicates, trusts and other monopolistic arrangements. Notwithstanding this, however, and for the purpose of achieving the objectives set forth herein, central administration of certain forms of governmental machinery, including in particular Finance, Transportation and Communications, shall be maintained or restored.

19. 11. In organizing the economy of Germany primary emphasis shall be given to the development of agriculture and industries producing consumption goods and light products.

19. 12. During the period of occupation Germany shall be treated as a single economic unit. To this end common policies shall be established in regard to:

(a) coal production and allocation inside Germany,
(b) (a) other industrial production and allocation, particularly coal;
(c) agricultural production, collection and distribution;
(d) (c) wages, prices and rationing;
(e) (d) import and export programmes for Germany as a whole;
(f) (e) currency, central taxation and customs;
(g) (f) reparation and removal of industrial war potential.

* On this document, which bears the manuscript notation “Sub-Committee”, manuscript changes (not printed) have been made to bring the text into conformity with the attachment to document No. 863, and it has been further marked, “As finally approved”, presumably by the Economic Subcommittee. It is obviously an intermediate draft of the Economic Principles, designed to show changes made in an earlier draft (cf. document No. 858). From the numbering of the paragraphs it would appear to be appendix A to the Draft Report printed above, but it is not attached to the Draft Report in the Pauley Files (although it is filed in the same folder) and it has not been possible to confirm this tentative identification.
In applying these policies account shall be taken, where appropriate, of varying local conditions.

44. 13. Allied controls shall be imposed upon the German economy but only as may be necessary:

(a) to carry out programs of industrial disarmament and demilitarization, of reparations, and of approved exports and imports.
(b) to assure the production and maintenance of goods and services required to meet the needs of the occupying forces and displaced persons in Germany and essential to maintain in Germany average living standards not exceeding the average of the standards of living of European countries. (European countries means all European countries excluding U. S. and U. S. S. R.)
(c) to ensure in the way determined by the C. C. the equitable distribution of essential commodities between the several zones so as to produce a balanced economy throughout Germany and reduce the need for imports.
(d) to control German industry and all economic and financial international transactions, including exports and imports, with the aim of preventing Germany from developing a war potential and of achieving the other objectives named herein. For the same purpose no grant of credit to Germany of [or?] Germans by any foreign persons or Government shall be permitted except with the approval of the Control Council.
(e) to control all remaining in Germany scientific bodies, research and experimental institutions, laboratories etc. connected with economic activities irrespective of their ownership (industrial firms, universities, municipal authorities etc.)

49. 14. In the imposition and maintenance of economic controls established by the Control Council, German administrative machinery shall be established created and the German authorities shall be required to the fullest extent practicable to proclaim and assume administration of such controls. Thus it should be brought home to the German people that the responsibility for the administration of such controls and any breakdown in these controls will rest with themselves. Any German controls which run counter to the objectives of occupation will be abolished.

49. 15. The principles and conditions governing the exaction of reparations from Germany are set forth in Annex 1 to this agreement.

44. 16. Measures shall be promptly taken:

(a) to effect essential repair of transport;
(b) to enlarge coal production;
(c) to maximize agricultural output; and
(d) to effect emergency repair of housing and essential utilities.
GERMANY

No. 860

United States Delegation Working Paper

[Undated.]

PROPOSED TEXT

17. One of the primary purposes of occupation is to obtain reparation for the damage and injury caused Allied countries by German aggression. To accomplish this purpose some importation of raw materials and other items will be necessary. The Control Council shall formulate as soon as possible a program of minimum required imports for Germany as a whole. Such a program shall include provision for equitable inter-zonal distribution of supplies available within Germany, so as to minimize the net deficit for, and imports into, Germany as a whole. Responsibility for the procurement and financing of approved imports for Germany as a whole shall be shared on a basis to be negotiated in the Control Council.¹

¹ Authorship not indicated.

² The following final sentence has been stricken from the draft: “Reimbursement for all net advances made for approved imports into Germany shall be a first charge against the proceeds of any exports from Germany of current production and stocks of goods.”

No. 861

United States Delegation Working Paper

[BABELSBERG,] July 20, 1945.

PROPOSED TEXT

17. A primary purpose of occupation is to obtain reparation for the damage and injury caused Allied countries by German aggression. To accomplish this purpose some importation of raw materials and other items will be necessary. The Control Council shall formulate as soon as possible a program of minimum required imports for Germany as a whole. Such a program shall include provision for equitable inter-zonal distribution of supplies available within Germany, so as to minimize the net deficit for, and imports into, Germany as a whole. With full recognition of the principle that the cost of imports must be met from the proceeds of exports³ from current production

³ There is the following manuscript interpolation at this point: “from goods, capital equipment, and”.

³ Authorship not indicated.

² This paper bears the following typed notation: “For Economic Sub Committee 10:30 A. M.—July 20, 1945”.

¹ There is the following manuscript interpolation at this point: “from goods, capital equipment, and”.

[No. 861]
or stocks responsibility for the procurement and financing of approved imports for Germany as a whole shall be shared on a basis to be negotiated in the Control Council. Reimbursement for any initial net outlays made in connection with the provision of supplies for Germany shall be a first charge against the German economy.

An earlier draft bearing the same heading reads at this point: "procurement and financing responsibility with respect to imports for Germany". This draft has the following manuscript interpolation (apparently intended as a substitution) by Murphy: "for the procurement and financing of approved imports". The last two sentences of this earlier draft read as follows: "Reimbursement for any initial net outlays made in connection with the provision of supplies for Germany shall be obtained from subsequent German exports from current production or stocks, and reparation from current production or stocks shall be so regulated as always to leave available sufficient exports to pay for approved imports. A program of such exports shall be formulated as soon as practicable." Attached to the copy of this draft in the USPoAd Files is the following draft paragraph: "Naturally one of the primary purposes of occupation is to obtain reparation for the damage and injury caused Allied countries by German aggression. To accomplish this end, obviously some importation of raw materials and other items may be necessary. The payment for these will be a first charge against the German economy." This paragraph bears the following manuscript notations by Murphy: (1) "Submitted by RDM July 29" and (2) "Part of this included in paper submitted".

No. 862
Pauley Files

United States Delegation Working Paper

[BABELSBERG,] July 20, 1945.

PROPOSED TEXT

17. One of the primary purposes of occupation is to obtain reparation for the damage and injury caused Allied countries by German aggression. To accomplish this purpose some importation of raw materials and other items will be necessary. The Control Council shall formulate as soon as possible a program of minimum required imports for Germany as a whole. Such a program shall include provision for equitable inter-zonal distribution of supplies available within Germany, so as to minimize the net deficit for, and imports into, Germany as a whole. Responsibility for the procurement and financing of approved imports for Germany as a whole shall be shared on a basis to be negotiated in the Control Council. Reimbursement for all net advances made for approved imports into Germany shall be a first charge against the proceeds of any exports from Germany of current production and stocks of goods.

1 Authorship not indicated.
2 This paper bears the following typed notation: "For Economic Sub Committee 10:30 A. M.—July 20, 1945".
Report by the Economic Subcommittee

Report of the Economic Sub-Committee to the Foreign Secretaries

We have considered the proposals in a memorandum by the United States Delegation on the Economic Principles to govern the treatment of Germany in the initial control period, together with the Annex dealing with reparations.

We have unanimously agreed to recommend the adoption of the Economic Principles set out in the attached clauses for incorporation in the proposed Agreement.

On one matter, which relates both to the Economic Principles and to Reparations, we have to report that agreement has not been reached.

The U.K. and U.S. representatives consider that it is essential that such necessary imports into Germany as are approved by the Governments controlling Germany shall constitute a first charge against exports from Germany whether of capital equipment or current production and stocks of goods. They therefore recommend the adoption of the text attached hereto as Annex II for incorporation in the Agreement on Economic Principles. The Soviet Representatives do not accept this principle and express the view that reparation deliveries should have priority and that imports into Germany, should, if necessary, be confined to the amount that can be paid for by exports from Germany after reparation schedules have been met.

The U.K. and U.S. representatives point out that the provisions of paragraph 18 (to the effect that it shall be the general principle, that in the absence of special reasons to the contrary, each of the zones of occupation, including the Greater Berlin area, will draw its supplies, so far as practicable, from the areas in Germany on which it had drawn before the war) apply to the territory of Germany as it existed on December 31, 1937 whether or not any part of such territory is administered by or ceded to another State.

The Soviet representatives think that any decision on this point at the present time is premature, pending a decision by the Conference on the future boundaries of Germany.

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1 So dated in an "Index of Attachments to Summary of the Negotiations in the Economic Sub-Committee" (file No. 740.00119 (Potsdam)/7-3145), but not considered by the Foreign Ministers until July 21 (see ante, p. 187).
2 Document No. 852.
3 Document No. 894.
4 In a draft of this report found in the Frankfurt USPoA Files, this paragraph has the following additional words: "On Economic Principles".
The U. K. and U. S. representatives point out that there are two matters in addition to those mentioned in paragraph 13 on which a common policy is essential in the treatment of Germany as a single economic unit:

(1) Uniform method of treatment of the German civilian population;
(2) Subject to normal regulations, free circulation of nationals of U. K., U. S., U. S. S. R. and France in all zones by land and air.

The Soviet representatives take the position that these two points, while having economic significance, have a wider political application, and that they should therefore not be considered by the Economic Sub-Committee.

The Allied Commission on Reparations has agreed on seven basic principles. The Sub-Committee recommend that these principles (Annex I) should be accepted.

The Allied Commission on Reparations failed to reach agreement on the underscored last clause of an eighth principle:

"After payment of reparations, enough resources must be left to enable the German people to subsist without external assistance. In working out the economic balance of Germany, the necessary means must be provided for payment of imports approved by the Governments concerned before reparations deliveries are made."

As stated above, the Sub-Committee have been unable to reach agreement on this point.

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PROPOSED AGREEMENT ON THE POLITICAL AND ECONOMIC PRINCIPLES TO GOVERN THE TREATMENT OF GERMANY IN THE INITIAL CONTROL PERIOD

TEXT AS SUBMITTED TO THE FOREIGN SECRETARIES BY ECONOMIC SUBCOMMITTEE

Economic Principles

10. In order to eliminate Germany’s war potential, the production of arms, ammunition and implements of war as well as all types of

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5 The first ten words of this sentence do not appear in the draft referred to in footnote 4, supra.
6 The draft referred to in footnote 4, ante, reads: "Uniform treatment".
7 In the draft referred to in footnote 4, ante, this paragraph reads as follows:
"The Sub-Committee consider that these points, while having economic significance, have a wider political application. They therefore refer these points for consideration by the Foreign Secretaries."
8 Annex 1 is identical with attachment 1 to document No. 894.
9 See documents Nos. 375 and 376, printed in vol. 1, and document No. 894, post.
10 The passage here printed in italics was underscored in the original.
11 For the paragraphs omitted here, see document No. 902.
aircraft and sea-going ships shall be prohibited and prevented. Production of metals, chemicals, machinery and other items that are directly necessary to a war economy shall be rigidly controlled and restricted to Germany's approved post-war peacetime needs to meet the objectives stated in Paragraph 14. Productive capacity not needed for permitted production shall be destroyed, or shall be removed in accordance with the reparations plan recommended by the Allied Commission on Reparations and approved by the Governments concerned.

11. At the earliest practicable date, the German economy shall be decentralized for the purpose of eliminating the present excessive concentration of economic power as exemplified in particular by cartels, syndicates, trusts and other monopolistic arrangements. Notwithstanding this, however, and for the purpose of achieving the objectives set forth herein, certain forms of central administrative machinery, particularly in the fields of Finance, Transportation and Communications, shall be maintained or restored.

12. In organizing the German economy, primary emphasis shall be given to the development of agriculture and peaceful domestic industries.

13. During the period of occupation Germany shall be treated as a single economic unit. To this end common policies shall be established in regard to:

(a) mining and industrial production and allocation;
(b) agriculture, forestry and fishing;
(c) wages, prices and rationing;
(d) import and export programs for Germany as a whole;
(e) currency, central taxation and customs;
(f) reparation and removal of industrial war potential.¹²

In applying these policies account shall be taken, where appropriate, of varying local conditions.

14. Allied controls shall be imposed upon the German economy but only to the extent necessary:

(a) to carry out programs of industrial disarmament and demilitarization, of reparations, and of approved exports and imports.
(b) to assure the production and maintenance of goods and services required to meet the needs of the occupying forces and displaced persons in Germany and essential to maintain in Germany average living standards not exceeding the average of the standards of living of European countries. (European countries means all European countries excluding U. K. and U. S. S. R.).

¹² The copy of this document in the Pauly Files has the following interpolation at this point: "(g) finance, transportation, & communications." This copy also has the following marginal note opposite paragraph 13: "Molotov amendment".

[No. 863]
(c) to ensure in the manner determined by the Control Council the equitable distribution of essential commodities between the several zones so as to produce a balanced economy throughout Germany and reduce the need for imports.

(d) to control German industry and all economic and financial international transactions, including exports and imports, with the aim of preventing Germany from developing a war potential and of achieving the other objectives named herein. For the same purpose no grant of credit to Germany or Germans by any foreign persons or Governments shall be permitted except with the approval of the Control Council.13

(e) to control all German public or private scientific bodies, research and experimental institutions, laboratories, et cetera connected with economic activities.

15. In the imposition and maintenance of economic controls established by the Control Council, German administrative machinery shall be created and the German authorities shall be required to the fullest extent practicable to proclaim and assume administration of such controls. Thus it should be brought home to the German people that the responsibility for the administration of such controls and any breakdown in these controls will rest with themselves. Any German controls which may run counter to the objectives of occupation will be prohibited.

16. The principles and conditions governing the exaction of reparations from Germany are set forth in Annex I to this agreement.

17. Measures shall be promptly taken:

(a) to effect essential repair of transport;
(b) to enlarge coal production;
(c) to maximize agriculture output; and
(d) to effect emergency repair of housing and essential utilities.

18. In securing the objective mentioned in paragraph 14 (c) it shall be the general principle that, in the absence of special reasons to the contrary, each of the zones of occupation, including the Greater Berlin Area, will draw its supplies so far as practicable from the areas in Germany on which it had drawn before the war.

13 The copy of this document in the Pauley Files has the following marginal note at this point: “If Plan II [is adopted], rewrite last sentence of 14 (d) to read: ‘Except with the approval of the Control Council or except when determined by the Government concerned to be required for the payment of necessary imports, no grant of credit to Germany or Germans by any foreign persons or governments shall be permitted.’” The same revision is recommended in a separate paper in the Pauley Files entitled “U. S. Proposal”, dated July 25, and in document No. 864.
GERMANY

[Annex I]

[Editor's Note.—This paper is identical with attachment 1 to document No. 894.]

[Annex II]

19. The Control Council shall formulate as soon as possible a program of minimum required imports for Germany as a whole. Such a program shall include provision for equitable inter-zonal distribution of supplies available within Germany, so as to minimize the net deficit for, and imports into, Germany as a whole. Responsibility for the procurement and financing of approved imports for Germany as a whole shall be shared on a basis to be negotiated in the Control Council. Reimbursement for all net advanced [advances?] made for approved imports into Germany shall be a first charge against the proceeds of both exports of capital equipment and of current production and stocks of goods from Germany.

No. 864

Pauley Files

United States Delegation Working Paper

[Undated.]

MEMORANDUM

With reference to the "Proposed Agreement on the Political and Economic Principles To Govern the Treatment of Germany in the Initial Control Period, Text as Submitted to the Foreign Secretaries by Economic Sub-Committee," the following recommendations are made:

Economic Principles

Paragraph 18: Proposed alternative substitute for first sentence:

"During the period of occupation, Germany shall be treated as a single economic unit and the Allied Control Council shall have authority to issue directives to insure the consistent application of this principle in all zones of occupation."

"During the period of occupation, Germany shall be treated as a single economic unit except in those instances as the Allied Control Council shall otherwise determine."*

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1 Authorship not indicated.
2 Attachment to document No. 863.
3 Another version of this working paper substitutes "may otherwise direct" for the last three words of this paragraph.

[No. 864]
Paragraph 13: There shall be added a further sub-section upon which common policies shall be established in Germany during the period of occupation, as follows:

(g) finance, transportation, and communications.

Paragraph 14 (d) on page 3, should either be struck or amended to read as follows:

"Except with the approval of the Control Council or except where determined by the Government concerned to be required for the payments of necessary imports, no grant or credit to Germany or Germans by any foreign persons or Governments shall be permitted."

Another version of this working paper indicates that only the last sentence of paragraph 14 (d) is affected by this recommendation.

No. 865

800.5157/7-2045

The Assistant Secretary of War (McCloy) to the Assistant Secretary of State (Clayton)

WASHINGTON [Babelsberg], 20 July 1945.

MEMORANDUM FOR MR. CLAYTON

Subject: German Interim Financing

I have looked at your memorandum from the Secretary to the President on the War Department's responsibility for German interim financing. I have no difficulty with the paper as far as it goes, but I think it is incomplete. The following points should be clearly understood, and I would think the gist of them should be incorporated in any memorandum to the President:

1. The War Department under present arrangements will be able to finance all food imports into Germany for whatever zone through October loadings.

2. Testimony before Congress indicated that funds made available for the War Department would not be used for maintenance of zones other than the United States, except for a brief turnover period not extending beyond the current calendar year.

3. With respect to any period of time or any zone, the funds which the War Department has received from the Congress for the present fiscal year are restricted to the prevention of disease and starvation.

4. If the President approves Secretary Byrnes' memorandum, it is necessary that the President send a letter of instructions to the

1 It has not been determined whether McCloy was referring to document No. 346 (see vol. I) or to an early draft (not found) of document No. 883.
Secretary of War, specifying the extent to which he desires the War Department to finance supplies under the disease and unrest formula outside of the United States zone, and in addition the extent of general economic assistance that he desires the War Department to finance with respect to all zones, including the United States zone. Unless some standard is specified, we would not be able to determine the amount of appropriations we should go to Congress to obtain. In effect, we should have a letter similar to that which President Roosevelt sent to the War Department in November 1943.  

5. It is suggested that the part of the paper entitled “German Import Program” would be strengthened as a negotiating agent for our representatives in the Control Council, if there were added the following: “Recognizing the principle that proceeds from the sale of exports from Germany as a whole must be used to finance essential imports” at the beginning of the sentence which now starts “Procurement and financing responsibility.”

I am returning the memorandum which you gave me.

JOHN J McCLOY

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3 Document No. 348, printed in vol. 1.

4 Ellipsis in the original.

No. 366

840.50 UNRRA/7-2145: Telegram

The Assistant Secretary of State (Clayton) and the Director of the Office of Financial and Development Policy (Collado) to the Department of State

SECRET

BABELSBOR, July 21, 1945.

VICTORY 182. For Thorp, Gilpatric and Reinstein from Clayton and Collado.

British and we are pressing re German imports for joint financing and first charge principle. At technical level Soviets seem prepared to enter joint financing if any small amount is needed but balk at first charge principle, although they recognize the necessity of paying for any approved imports. Matter referred to Foreign Ministers for decision.

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1 Sent to the Acting Secretary of State over the signature of Byrnes.

[No. 366]
The Political Adviser in Germany (Murphy) to the Secretary of State

CONFIDENTIAL

FRANKFURT [sic], July 21, 1945.

No. 670

Subject: Information Concerning Attitude of German People Regarding Nazis.

Sir: I have the honor to transmit herewith for the Department’s information the following report on the attitude of Germans with respect to Nazis and Nazism, supplied to the Office of Political Affairs by the Intelligence Section, Psychological Warfare Division of SHAEF.

The questions herein contained were raised by this Division, and the answers supplied by the Psychological Warfare Division of SHAEF are based on extensive field survey.

1. Do many Germans tend to distinguish between real Nazis and other Nazis, between active and nominal Nazis?

It seems clear that to a large number of Germans a Nazi is much the same thing as an “Outsider”. He is a man who is not a native of the place but has been brought by the Party from somewhere else in order to perform certain Party tasks in the district. To a much lesser extent, a Nazi is somebody who made his living by working for the Party. I think the psychological implications of this are fairly obvious. They re-inforce the universal inclination to shift the blame from the individual interrogated to someone else. In this case, it is shifting the blame from the individual’s locality and attributing it to someone from a different part of Germany.

2. Are there other categories into which many German[s] (non-Nazis) tend to put the Nazis? Have they other breakdowns than active and nominal Nazis, ardent and passive Nazis?

Compared with this broad distinction, further subdivision into categories of Nazis is comparatively unimportant. It is, however, true that the Germans recognize a category of “Muss Nazis”[,] i.e. people who were forced into the Party against their real beliefs for fear of losing their jobs. The principal criterion used to distinguish these seems to be the date of joining. It scarcely needs to be pointed out that categories like the SS play a large part in those Germans brought from “outside” to perform Party tasks.

3. What conclusions have been reached thus far by PWD concerning Germans’ acceptance or disavowal of the collective war guilt theme?

The question of reactions to charges of war guilt is complex. Preliminary conclusions are that people fall into about four main cate-
gories (though so many combinations are possible, either simultaneously or successively for the same individual, that is it [sic] very difficult to establish hard and fast definitions.)

a.) The indoctrinated Nazis—at highest 10%—automatically repeat the argument that whatever was for the good of Germany was right. For them the question of “guilt” cannot exist. Not unnaturally, the people who explicitly adopt this attitude now are few and far between.

b.) “The pots who call the kettle black”, i.e. the people who meet charges of atrocities by reference to stock Nazi propaganda themes such as Katyn, the Boer War, lynchings of negroes, etc.

c.) The people who seek to project the blame on to somebody else, i.e. on to the Nazis unless they themselves are indisputably Nazis, in which case they blame some other section of the Nazi Party (usually Himmler and the SS). But non-Nazis in this group tend to say “we admit that, through the Nazis, dire things happened in concentration camps to innocent people. But, also thanks to the Nazis and the way in which they provoked war, the Allies came and bombed Germany and very dire things happened to us too, in spite of the fact that we are also innocent. Therefore, we are in the same class as the victims of the concentration camps and your sympathy should be extended to us equally.”

d.) The people who are prepared to admit collective responsibility on the part of the German people for failing to stop Hitler, but who go on to claim that just as much responsibility falls on those Allied Governments who also refused to stop Hitler, e.g. the reoccupation of the Rhineland, the Spanish Civil War and Munich.

It will be noted that none of the above categories seeks to deny the facts of the atrocities, though a few in categories a. and b. will suggest that they are exaggerated.

4. What punishments do non-Nazis think should be meted out to active and confirmed Nazis? Is their thinking definitive or general and vague on this subject?

The usual attitude is that no punishment can be bad enough for confirmed Nazis. This is, of course, a consequence of the scapegoat process. Nominal Nazis should lose their jobs, but there is not much evidence of clear or new thinking on this point.

5. What disposal do Germans interrogated think should be made of the Wehrmacht—retained for internal order and protection against the Russians? Be completely disbanded? Be partially disbanded? Other disposition?

There is no evidence of the rank and file of Germans thinking at present about the future of the Wehrmacht. I suspect that if people were directly asked the question, they would start to talk about our need for military help against the Russians.

6. Do Germans interrogated expect that German civilians will be required to do forced labor in the occupied countries? Do they
think Germans should be so required? Only some Germans? If [the] latter, what Germans and why? How do they associate this subject with collective war guilt?

It is taken for granted that Germans will be required to do forced labor repairing damage done in the occupied countries. There is no evidence at present that this is regarded as a particular injustice but that is not to say that such a feeling might not develop, especially if the scale of demand had serious repercussions on the labor supply in Germany. But at present the complaint is rather that we are not employing Germans when they have accepted the inevitability of having to do restoration work and are anxious to get it over as quickly as possible. This does not prevent them from being afraid of being sent to Siberia.

7. How much blame for the Nazi regime, German militarism and Germany's defeat do Germans interrogated put upon the shoulders of German industrialists?

There is not much evidence at present of blame for the Nazi regime and Germany's defeat being fixed on the industrialists. The Nazis are acting as the universal scapegoat.

8. What evidence is there of the growth of a Hitler legend?

Hitler's death seems to be generally accepted as a fact. The tendency to exclude Hitler from responsibility for the acts of his followers still crops up here and there. But at the moment, there are no signs of the growth of any legend about him.

Respectfully yours,

ROBERT MURPHY

No. 868

Frankfurt U.S.P.O.L.A.D. Files—500 Potsdam Conference

United States Delegation Working Paper

[Undated.]

PROPOSED DIRECTIVE TO U. S., U. S. S. R. AND U. K. COMMANDERS-IN-CHIEF CONCERNING IMMEDIATE ECONOMIC TASKS IN THE OCCUPATION OF GERMANY

In order to secure the fulfillment of the minimum objectives of the occupation of Germany, the U. S., Soviet and U. K. Commanders-in-Chief will advocate in the Control Council the formulation and prompt execution of a uniform program in the following fields:

1) Development of exports for the purpose of

a) Meeting a reparation program as formulated by the Reparations Commission.

1 Authorship not indicated.
b) Meeting urgent external needs for relief and reconstruction.

c) Providing means of payment for Germany's minimum import.

Immediate attention should be given to the export of coal and to
removals of railroad rolling stock and live stock.

2). Formulation of a single program of minimum required imports
for Germany as a whole and determination of basis for sharing proc-
curement and financing responsibility.

3). Establishment of machinery to assure equitable distribution of
available supplies within Germany.

4). Establishment of uniform ration scales within Germany.

5). Formulation of immediate steps to secure adequate agricultural
and coal output, essential repair of internal transport and emergency
repair of housing and utilities.

6). Formulation of initial measures for curtailment of metal, chemi-
cal and machinery industries to conform to minimum, peacetime needs.

7). Uniform regulation and control of currency, credit and public
finance.

8). Uniform frontier controls and recording of movements of per-
sons and goods.

No. 869

Department of the Army Files

The Deputy Military Governor, United States Zone in Germany (Clay)
to the Secretary of State ¹

SECRET

BERLIN, 21 July 1945.

MEMORANDUM FOR THE SECRETARY OF STATE

GENERAL EISENHOWER, after conference with the President, in-
structed me to prepare for submission to the President, a proposed
directive which is attached hereto ² and which would be sent to
each Zone Commander by his head of government. The proposed
devolution of authority in the final paragraph, if accepted by all four
governments, would facilitate transaction of business by the Group
Council.

The specific instructions in paragraphs numbered 1, 2, 3 and 4 are
believed to accord fully with decisions reached at this and previous
conferences. However, it may be necessary to modify portions of
these paragraphs to conform to decisions now in the making. Also,
in sending this directive, if approved, the several policy papers ac-
cepted at the Berlin conference could be appended to the directive.

GENERAL EISENHOWER feels that this directive would be most
helpful to him and to the Group Council.

LUCIUS D. CLAY

¹ Printed from a certified carbon copy which bears the manuscript notation:
"A similar memo went to Adm. Leahy".

² The attached draft is the same as document No. 870 except for one variation
described in footnote 2 to that document.

[No. 869]
No. 870

740.00119 Potsdam/7-2146

Proposal by the United States Delegation

TOP SECRET

[BABELSBERG,] July 21, 1945.

PROPOSED DRAFT OF DIRECTIVE TO BE ISSUED BY HEADS OF GOVERNMENTS RESPONSIBLE FOR THE CONTROL OF GERMANY TO THEIR RESPECTIVE COMMANDERS OF OCCUPATION FORCES IN GERMANY

The Governments of the United States, the Union of Soviet Socialist Republics and the United Kingdom have at Yalta and at Berlin agreed to certain policies and principles for the administration of Germany. They have agreed also to accept the provisional government of the French Republic in the quadri-partite administration of Germany. Pursuant to the policies agreed at the Yalta and Berlin Conferences and to the declaration regarding the defeat of Germany and the assumption of supreme authority with respect to Germany by the governments of the United States of America, the Union of Soviet Socialist Republics, the United Kingdom, and the provisional government of the French Republic, as Commander-in-Chief of the forces of occupation of the United States of America, and its representative on the Control Council, you are herewith directed to present to and support in that Council measures which will effectuate the agreed policies throughout Germany, to include:

1. The completion of the program to abolish finally and completely all military organizations, semi-military organizations, clubs and associations which serve to keep alive a military tradition in Germany.

2. The completion of the program to remove all active members of the Nazi party from positions of prominence and responsibility in public or private life.

3. The continued search for and arrest of war criminals and the trial of apprehended war criminals as may be agreed by the several governments.

4. The execution of a reparations program designed to destroy Germany’s industrial war potential as recommended by the Reparations Commission and approved by the several governments represented on that commission.

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1 Notice of the submission of this paper was given at the Fifth Meeting of the Foreign Ministers, July 22 (see ante, p. 238), and the subject was referred to the Foreign Ministers at the Sixth Plenary Meeting, July 22 (see ante, pp. 246-247).

2 Concerning the decisions of the Yalta Conference referred to, see document No. 1416, section iv, and document No. 1417, section ii.

3 Signed at Berlin, June 5, 1945 (Treaties and Other International Acts Series No. 1920; 60 Stat. (2) 1649).

4 At this point the draft submitted to Byrnes by Clay (see document No. 869) had the following additional words: “exclusive of such areas as may have been ceded by agreement of the four governments to other nations”.

2. The establishment of such German administrative machinery as may be necessary for the administration of Germany as an economic unit to provide for such control as the Control Council may deem necessary over German finance, agriculture, industry, trade and distribution.

The interchange of persons, goods and services freely within Germany within the limits of available transportation and facilities to equalize the standards of living within the several zones.

The controlled issue of currency, the preparation of the national budget and such servicing of the public debt as may be deemed necessary.

The development of an export program, which will support those imports found essential to a minimum living economy in Germany.

The operation of transportation and communication services throughout Germany.

The operation of a postal service throughout Germany.

Such other measures as appear to require central control to assure the operation of German economy as a unit.

3. The establishment of procedures and regulations for application in each zone which will insure freedom of the press under policies agreed by the Control Council.

The establishment of procedures and regulations which will permit those political parties subscribing to liberal principles to exercise political activity with the right of election of local officials to be discretionary with the Commander-in-Chief in each zone as security conditions may indicate such elections to be warranted.

The establishment of procedures and regulations which will provide for the coordination of the information and education programs to be executed in each zone and to be directed to a reorientation of German thought.

The establishment of procedures and regulations for the coordination of public health and welfare within the several zones.

The establishment of procedures and regulations which will permit the formation of trades unions as rapidly as such unions can be established with security taken into consideration.

4. The decentralization of all functions of government which do not require central supervision for the operation of Germany as an economic unit to the fullest extent possible to lesser political subdivisions to recreate a sense of local responsibility for government within Germany.

Within the policies which have been accepted by the governments represented on the Control Council, you are herewith granted full authority to enter into and effect the requisite agreements to all measures presented in that Council which are necessary to the execution of those policies. You may delegate such of this authority as you deem desirable to your representative on the Coordinating Committee to facilitate and expedite the execution of the agreed policies for the administration of Germany.
The Secretary of War (Stimson) to the President

SECRET

MEMORANDUM FOR THE PRESIDENT

THE REHABILITATION OF EUROPE AS A WHOLE

I am impressed with the great loss in economic values on the Continent, but even more with the loss in widespread moral values which destruction and war conditions have caused in Europe.

We have immediate interests in a return to stable conditions—the elimination of distress conditions to ease our problems of administration and the speed and success of our redeployment. But our long range interests are far greater and much more significant.

One hope for the future is the restoration of stable conditions in Europe, for only thus can concepts of individual liberty, free thought and free speech be nurtured. Under famine, disease and distress conditions, no territory or people will be concerned about concepts of free speech, individual liberty, and free political action. All the opposite concepts flourish in such an atmosphere. If democratic interests are not given an opportunity to grow in western and middle Europe, there is little possibility they will ever be planted in Russian minds.

I therefore urge that the principles stated in my paper to you on the administration of Germany of 16 July be kept in mind, which recommends that Germany shall be given an opportunity to live and work; that controls be exercised over the German people only in so far as our basic objectives absolutely require, and; that the ethnological and economic groupings of Germany should be disturbed only where considerations make it inescapable. We cannot be misled by the thought that because many plants, at least on our side of the line, exist in relative integrity, that German economy can readily be restored. I am satisfied that it cannot be unless there is a flow of commerce, establishment of transportation systems and stable currency. The Russian policy on booty in eastern Germany, if it is as

1 Printed from an unsigned copy, described as a “proposed memorandum for the President”, transmitted by Colonel H. A. Gerhardt to Assistant Secretary of State William L. Clayton on July 24. It is indicated in Henry L. Stimson and McGeorge Bundy, On Active Service in Peace and War (New York, 1947), p. 593, however, that this memorandum was actually submitted to Truman on July 22.

2 Enclosure to document No. 849.

3 See documents Nos. 896, 904, 929, 940.
I have heard it reported, is rather oriental. It is bound to force us to preserve the economy in western Germany in close cooperation with the British, so as to avoid conditions in our areas which, in the last analysis, neither British nor American public opinion would long tolerate.

Secondly, I urge that a completely coordinated plan be adopted for the economic rehabilitation of Europe as a whole; that in doing this, all the economic benefits which the United States can bestow, such as war surplus disposal, Export-Import bank credits, etc., be channelled through one man and one agency. Our means must be concentrated in one agency in order to use all our power to achieve our ends. Diverse policy and diverse methods of distribution lead to competition in bestowal of favors and interfere with the carrying out of the only effective and politically supportable program, namely, one of helping Europe to help herself.

There are large food, fuel and industrial sources in Europe, and, if all resources are marshalled, much can be done to achieve stability in Europe with the promptitude and in the degree necessary to preserve democratic governments. It does require a period of management in which I am convinced we have to take a part. I would recommend one United States agency as I have indicated, and I would feel that an Economic Council for Europe should be set up. The Chairman should be an American, in whose hands, subject to the authority of the President and pursuant to the directions of the central United States agency just recommended, would be vested the disposition in Europe of all benefits flowing from the United States. Other members of the Council would consist of the representatives of other contributing powers who would be similarly authorized. They should act in close liaison with the Control Council for Germany, and their duties should be, over a limited period, to assist the governments of Europe to help themselves in the restoration of stable conditions.

Interest of the War Department—The economic rehabilitation of Europe is not, of course, a matter primarily within the jurisdiction of the War Department. I am presenting this memorandum because the rehabilitation of Europe is so closely related to the immediate problems mentioned above in which the War Department is vitally concerned, and also because I feel that an economically stable Europe, with the impetus it can give to free ideas, is one of the greatest assurances of security and continued peace we can hope to obtain.

Berlin, 22 July 1945.
No. 872

Proposal by the Soviet Delegation

[Translation?]

[BABELSBERG, July 23, 1945.]

ARTICLE 19 OF “ECONOMIC PRINCIPLES”

19. After payment of Reparations enough resources must be left to enable the German people to subsist without external assistance. In working out the economic balance of Germany the necessary means must be provided for payment for imports approved by the Control Council. In case the means are insufficient to pay simultaneously on reparations account and for approved imports all kinds of deliveries (internal consumption, exports, reparations) have to be proportionally reduced.

1 This is apparently the first Soviet draft on this subject presented at the Sixth Meeting of the Foreign Ministers, July 23. See ante, p. 279. It bears the following manuscript notation by Murphy: “Submitted by Molotov July 23”.

No. 873

740.00119 (Potsdam)/7-3145

Proposal by the Soviet Delegation

[Translation?]

[BABELSBERG, July 23, 1945.]

SOVIET PROPOSAL

ARTICLE 19 OF “ECONOMIC PRINCIPLES”

19. After payment of Reparations enough resources must be left 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 (in so far as they are approved by the Control Council). The exports to pay [for] such imports will have priority over Reparations and internal consumption.

1 This is apparently the second Soviet draft on this subject presented at the Sixth Meeting of the Foreign Ministers, July 23. See ante, p. 280.
2 The parentheses are inserted in pencil on each of two other copies found. Each of these copies has a manuscript interpolation at this point. One reads: “or, in the absence of agreement, by the zone [commander?]”. The other suggests substituting “occupying Gov[ernment] concerned” for “Control Council”.

The Chief of the Division of Central European Affairs (Riddleberger) to the Assistant Secretary of State (Dunn)\(^1\)

SECRET

MABELSBERG, July 23, 1945.

MEMORANDUM FOR MR. DUNN

In connection with Molotov’s proposal \(^2\) that payment for a minimum import program approved by the Control Council would be the first charge on German exports, the following should be borne in mind with reference to the powers of the Control Council:

Article 1 of the Agreement on Control Machinery in Germany \(^3\) stipulates that supreme authority will be exercised by the four Commanders in Chief, each in his own zone of occupation, and also jointly in matters affecting Germany as a whole in their capacity as members of the Control Council. Article 3 (c), however, stipulates that decisions of the Control Council must be unanimous. This means, of course, that any minimum import program would have to be approved by the unanimous decision of the Control Council. In the absence of unanimity in the Council, the authority of the zone commanders would obviously remain supreme.

It can therefore be assumed that if there be no agreement in the Control Council on a minimum import program, the American zone commander would not have to make reparation deliveries from the U.S. zone. However, this point should no doubt be made very clear to Molotov if we contemplate accepting his proposal.

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\(^1\) Printed from an unsigned carbon copy.
\(^2\) See documents Nos. 872 and 873.
\(^3\) Signed at London, November 14, 1944, as amended by a further agreement signed at London, May 1, 1945. For texts, see Treaties and Other International Acts Series No. 3070; United States Treaties and Other International Agreements, vol. 5, pt. 2, p. 2062. Text of the agreement of November 14, 1944, also in Foreign Relations, The Conferences at Malta and Yalta, 1945, p. 124.

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No. 875

Proposal by the British Delegation

[Undated.]

U. K. PROPOSAL

ARTICLE 19 OF “ECONOMIC PRINCIPLES”

19. After payment of Reparations enough resources must be left 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 Governments concerned.\footnote{Another version of this paper, with the same heading, found in the Pauley Files, ends this sentence with the words “approved by the Control Council”.
}
The proceeds of the exports from current production and stocks shall be available in the first place for payment for such imports.

\footnote{1}{Another version of this paper, with the same heading, found in the Pauley Files, ends this sentence with the words “approved by the Control Council”.
}

**No. 876**

*Pauley Files*

*United States Delegation Working Paper [?]*

*[Undated.]*

**ARTICLE 19**

Payment of reparations should leave sufficient resources to enable the German people to subsist without external assistance.

Payment for imports into Germany approved by the Control Council shall be a first charge against the proceeds of exports out of current production and out of stocks of goods.

If the Control Council fails to agree, each zone commander may still import into his own zone such supplies as his Government considers essential, for the payment of which he may assess a first charge on exports of current production and stocks from his own zone.

**No. 877**

740.00110 Control (Germany)/7-2345: Telegram

*The Director of the Office of Financial and Development Policy (Collado) to the Deputy to the Assistant Secretary of State for Economic Affairs (Thorp) and the Acting Chief of the Division of Financial Affairs (Reinstein) [1]*

**SECRET**

*BABELSBERG, [July 23, 1945.]*

*VICTORY 215. For Thorp and Reinstein from Collado.*

Present thought is that four power joint programming of imports, exports and reparations and combined procurement and interim financing of imports will not be feasible. We are consequently drafting on a zonal basis with expectation of combined handling and financing for the three western zones. We are preparing with McCloy and Hilldring a draft directive to War Department on financing responsibility\footnote{2}{See document No. 884.} along lines discussed in Washington.

\footnote{1}{Sent to the Acting Secretary of State over the signature of Byrnes.}
\footnote{2}{See document No. 884.}
United States Delegation Working Paper

[BABELSBERG,] July 23, 1945.

Memorandum for Mr. Clayton

German Economic Matters

1. Basic policy for supply and reparations operations as between Soviet and Western Zones of Germany has been laid down in memorandum relating to the Western boundaries of Poland.  

The following recommendations are based on the assumption that this policy is agreed among the three powers.

2. Reparations and Related Matters—

There is attached a draft U. S. proposal which would pave the way for winding up the Reparations Commission and turn the handling of reparations, restitution, etc. to the individual zone commanders subject only to such general agreement as they may wish and be able to reach in the Control Council. The definition on restitution is somewhat broader than Mr. Pauley's staff would like to see, and Mr. Pauley may raise questions about it.

3. Economic Principles—

Assuming agreement on the reparation proposal and the agreement which was tentatively reached on Sunday by the Foreign Ministers on Principles Nos. 10, 11, 12, 14, 15, 16, and 17, there remain only the following points for further action:

a. In view of the agreement on supply matters generally involved in the memorandum on the Polish Western Boundary, it would be desirable to accede to the Soviet request that Principle No. 18 be deleted.

b. In view of the decision in fact to give up quadrilateral action on reparations operations and on programing, procuring and financing of imports, the last sentence of paragraph 14 (d), already tentatively agreed by the Foreign Ministers, should be amended to read as follows: "except where determined by the occupying power concerned to be required for the payment for necessary imports, no grant or credit to Germany or Germans by any foreign persons or governments shall be permitted." If agreement cannot be reached with the Russians on this amendment, we should insist on the deletion of the entire sentence.

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1 Authorship not indicated.
2 Document No. 918.
3 No attachment found. Cf. document No. 916.
4 See ante, p. 233.
5 See the attachment to document No. 863.
6 See ante, p. 234.
c. A minor improvement would be effected in the document by the following two amendments to paragraph 13:

"(c) Currency and banking, central taxation and customs;"

"(g) Transportation and Communications."

4. It will be necessary to determine the manner in which the agreement referred to in 1. is to be formalized.

No. 879

0.00119 (Potsdam)/7-3045

Proposal by the British Delegation

[BABELSBERG,] July 24, 1945.

GERMANY: POLITICAL PRINCIPLES

MEMORANDUM BY THE U. K. DELEGATION

The report of the Economic Sub-Committee to the Foreign Secretaries ² included the following passage, which was not considered when the report was taken [up] by the Foreign Secretaries:

"The U. K. and U. S. representatives point out that there are two matters in addition to those mentioned in paragraph 13 ³ on which a common policy is essential in the treatment of Germany as a single economic unit:

(1) Uniform method of treatment of the German civilian population;

(2) Subject to normal regulations, free circulation of nationals of U. K., U. S., U. S. S. R. and France in all zones by land and air.

The Soviet representative takes the position that these two points, while having economic significance, have a wider political application, and that they should therefore not be considered by the Economic Sub-Committee."

The U. K. Delegation attach importance to agreement on these two matters being recorded. They would accordingly propose:

(a) that a new paragraph be inserted after paragraph 1 of the text on "Political principles" which has been approved by Heads of Governments ⁴ as follows:—

"So far as is practicable, there shall be uniformity of treatment of the German population throughout Germany." ⁵

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¹ Attachment 8 to the summary of the Tenth Meeting of the Foreign Ministers, July 30. See ante, pp. 492, 498. This paper was presumably circulated some days before it came up for discussion.

² Document No. 863.

³ Of the attachment to document No. 863.

⁴ Document No. 856.

⁵ In a third draft of the Protocol prepared by the British Delegation and annotated "Compared with U. S. Text and agreed 30.7.45." (file No. 740.000119 Potsdam/7-3045), there is an indication that this language was to be inserted as paragraph 2 of the section on treatment of Germany, and that the succeeding paragraphs were to be renumbered.
(b) that a new paragraph be added after paragraph 9 as follows:—

"Subject to normal regulations, there shall be free circulation of nationals of the Powers represented on the Control Council in all zones by land and air."

No. 880

740.00119 Control (Germany) 7-2345: Telegram

The Deputy to the Assistant Secretary of State for Economic Affairs (Thorp) to the Assistant Secretary of State (Clayton) ¹

SECRET

[WASHINGTON,] July 25 [1945.]

121. For Clayton from Thorp.

Dept and CAD representatives met last Friday with British on German supply problems. At time of receipt of your VICTORY 215,² we were in process of clearing British telegram to London reporting U. S. views expressed at that meeting, which favored zonal approach to procurement and financing. In view of your reference in VICTORY 215 to "combined handling and financing for the three western zones", we sought to hold up British telegram pending consultation with you but British are anxious to acquaint London with views expressed here in order that their people at the Conference may be properly briefed on them. We have therefore agreed to telegram going forward with appropriate reservations concerning informal nature of the proposals. CAD supports the proposals and has so advised General Hilldring. The pertinent portion of the British telegram will read approximately as follows:

"4. The following principles were put forward by the Americans. (a) Zonal estimates to be coordinated in CRAB on basis of agreed interim policies covering consumption standards and levels of industrial activity. Subject to general guidance agreement should be left to zone commanders, who should so far as possible use CRAB as an informal instrument for obtaining such agreement. Object is to avoid any appearance of establishing without consultation with the Russians policies which might be or appear to be permanent. (b) Deficiencies in one zone to be met as far as practicable by surpluses from other zones. (c) Zonal programmes of requirements for imports to be submitted simultaneously to Combined Boards by the Governments of the occupying powers separately from any other programmes. (d) Instructions to be issued to Combined Boards and any other interested Governmental agencies in U. S. A. and U. K. to ensure equal priorities for programmes of all zones. (e) Zone Commanders to have the right to agree as to diversion of supplies from one zone to another in case of emergency."

¹ Sent to the Secretary of State at Babelsberg over the signature of Grew.
² Document No. 877.
5. Actual procedure which Americans contemplate can best be described under three heads. (a) Procedure inside Germany (para 6 below). (b) Procedure outside Germany (para 7 below). (c) Financial arrangements (Para 8 below).

6. For procedure inside Germany CRAB should be used acting as specified in MeL 891 of 30 June.⁸

7. Procedure outside Germany would be as follows. Import programmes for three zones after agreement in CRAB would be submitted through zone commanders to respective Governments (with copies to other zone commanders for transmission to their Governments). Governments would put programmes through their representatives in Washington to combined boards (presumably after exclusion of non-RCL items which would be procured independently by respective Governments). These programmes would be considered simultaneously by Combined Boards subject naturally to necessity for action on other programmes if any programme were unduly delayed. Combined Boards would be directed to give equal priority to all zonal programmes in making allocations. After allocations were made arrangements for procurement and shipment would be responsibility of respective Governments acting through their own agencies.

8. As regards finance Americans are strongly of opinion that only practicable arrangement is that each country should bear initial financing of procurement for its own zone. This would apply to the French as well as ourselves and to American supplies from U. K. as well as to British supplies from U. S. A. There are two main reasons for this view. First the financing by the U. S. A. of supplies from the U. S. A. for the British and French Zones would inevitably necessitate screening by the War Department in Washington of the programme for the British and French Zones. This would stultify or duplicate one of the functions which it is intended CRAB should perform. It would also in American view increase difficulties of development into quadripartite arrangement since it would in effect transfer to Washington the whole function of approval and control of supplies for Germany. Secondly, War Department have no funds beyond a very limited period to finance supplies for British or French zones and after that limited period (which is almost covered by requirements already stated by SHAPE up to November arrivals and in part already approved and allocated by CCAC) neither War Dept. nor any other U. S. Department has funds for this interim financing.

Any proceeds of current exports from Germany would in the American view be made available as a pool out of which repayment would be made to the three (ultimately the four) governments in proportion to the interim financing burden assumed by each. Americans agree that the task of repaying out of Germany’s total resources those who have provided the interim finance of imports should be the joint responsibility of the controlling powers.

9. This telegram has been seen by State Dept. and War Dept."

The formulation of these proposals was governed in considerable part by desire to set up interim tripartite machinery which would be

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⁸ Not printed.
readily expansible to a quadripartite basis. Victory 215 appears to diminish the importance of this consideration but does not incline us to revise our conclusions.

No. 881

Pauley FILE

The Representative on the Allied Commission on Reparations (Pauley) to the Secretary of State

BERLIN, July 28, 1945.

MY DEAR MR. SECRETARY: I am in receipt of a copy of a letter sent by Sir David Waley of the British Delegation to Mr. Maisky. The letter to him states that he accepts the American Plan with a slight amendment clarifying “as a first charge” and adding “the needs of occupying forces”. These amendments are satisfactory to our Delegation.

Sincerely yours,

EDWIN W. PAULEY

[Enclosure]

The Under-Secretary in the British Treasury (Waley) to the Chairman of the Allied Commission on Reparations (Maisky)

BERLIN, 28 July, 1945.

DEAR MR. MAISKY: We have now had an opportunity to examine the United States proposal on Reparations and related matters which was handed to us the other night. We are ready to agree in these proposals subject to lines 5, 6 and 7 of paragraph b reading as follows:—

“Either to pay, as a first charge, for necessary approved imports not otherwise paid for or, if such payment for imports has been effected, for its own reparation account or for the reparation account of any other United Nation entitled to reparation”[.]

The insertion of the words “as a first charge” expresses without ambiguity the point to which we have so often drawn attention. The insertion of the word “reparation” is only a drafting amendment. In this connection it seems desirable to define what we mean by “the needs of the occupying forces” and I enclose a memorandum giving our views on this matter.

I am sending a copy of this letter to Ambassador Pauley.

I am [etc.]

S. D. WALEY

1 Printed from a carbon copy on which there is an uncertified typed signature.
2 Document No. 925.
MEMORANDUM BY THE U. K. DELEGATION

The programme of minimum required imports for Germany as a whole should include the supplies which the Armies of Occupation import in the form of food, petrol, oil lubricants and similar supplies and in the form of non-warlike stores, e. g. medical stores, works stores, furniture, etc. On the other hand, the cost of imported warlike stores (including vehicles and signal equipment as well as such obviously warlike items as guns and ammunition and clothing and also pay and allowances drawn by the troops outside Germany) would be at the cost of the Occupying Forces and not included in the programme of imports which have to be covered by German exports.

No. 882

740.00119 (Potsdam)/7-3145

United States Delegation Working Paper

[Undated.]

PROPOSED AGREEMENT ON THE POLITICAL AND ECONOMIC PRINCIPLES TO GOVERN THE TREATMENT OF GERMANY IN THE INITIAL CONTROL PERIOD

TEXT AS SUBMITTED TO THE FOREIGN SECRETARIES BY ECONOMIC SUB-COMMITTEE

Economic Principles

[EDITOR'S NOTE.—The opening paragraphs of this text are identical with paragraphs 10 to 16 of the attachment to document No. 863, except that:

(a) The final sentence of paragraph 10 has been amended to read: “Productive capacity not needed for permitted production shall be removed in accordance with the reparations plan recommended by the Allied Commission on Reparations and approved by the Governments concerned, or if not removed shall be destroyed.”

(b) The changes recommended in paragraphs 3 (b) and 3 (c) of document No. 878 have been made in paragraphs 14 (d) and 13 (e) and (g), respectively.]

17. Removals as restitution shall be governed by the following:

(a) Upon application by any Allied Government, restitution may be made of the following categories of property, wherever found, if

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1 The “Index of Attachments to Summary of the Negotiations in the Economic Sub-Committee” (file No. 740.00119 (Potsdam)/7-3145) lists this paper as follows: “Proposed Redraft of Economic Principles—not used.”
such property is identifiable and was removed from occupied territory
by the enemy by whatever means:  

(i) Heavy industrial and agricultural equipment, and unique
machinery;
(ii) Rolling stock and other railroad or transportation equipment;
(iii) Works of art, religious, historical, educational, or cultural
objects, libraries, scientific equipment, and other laboratory or
research materials related to organized inquiry into the arts and
sciences.

(b) All questions of restitution shall be dealt with on behalf of the injured
property owners by the Allied Nations of which they are citizens, unless
such Allied Nation shall make other arrangements with the Allied Nation
from whose territories the property was removed.

18. Appropriate steps shall be taken to exercise control and the power
disposition over German owned external assets, in accordance with the
Declaration of ——— 1945.

19. Ownership by nationals of United Nations or neutral nations
shall not impede the carrying out of Paragraph 10. Removals from
Germany of properties of nationals of United Nations or neutral
nations shall be governed by the following:

(a) Properties of nationals of United Nations.

(i) Governments of the United Nations shall be invited to submit
statements to the Control Council covering the nature and extent of
property in Germany of their respective nationals, and Allied rep-
resentatives shall have facilities and free access [to] such properties
for the purpose of investigating claim and appraising properties.
(ii) Where practicable and desired by the government of the owner,
removal shall be effected without transfer of title.
(iii) In all other cases, compensation shall be provided by the
establishment of Reichsmark deposits to the account of the government
of the owners, on the basis of valuations by the Control Council.
The country receiving such removed property shall make arrangements,
prior to the removals to liquidate such deposit accounts in acceptable
foreign exchange in payments spread over a short period of years.

(b) Properties of nationals of neutral nations.

(i) Governments of neutral nations shall be permitted to file with
the Control Council statements covering the nature and extent of
property in Germany of their respective nationals[.]. Reichsmarks
in the amount of the valuations made by the Control Council shall
be deposited to the account of such governments by way of compensa-

2 In a copy of this document in the Pauley Files, this entire paragraph is
underscored (here represented by italics) to indicate new language. The same is
true of paragraph 19 below and its subparagraph (a).
3 Blank in the original.
20. Measures shall be promptly taken:
(a) to effect essential repair of transport;
(b) to enlarge coal production;
(c) to maximize agriculture output; and
(d) to effect emergency repair of housing and essential utilities.

No. 833

The Secretary of State and the Secretary of War (Stimson) to the President

[Undated.]

MEMORANDUM FOR THE PRESIDENT

GERMAN INTERIM FINANCING

1. On July 5, 1945, the Secretary of State transmitted to you a memorandum on German interim financing which outlined agreement which exists among the Department of State, the Treasury Department, the War Department and the Foreign Economic Administration regarding proposals which should be made to the British, the French, and the Soviets with respect to procurement and interim financing of essential imports. The principles contained in this memorandum are embodied in the position which the American and British representatives are supporting in the present conference.

2. The memorandum of July 5 also recommends that the War Department should assume procurement and initial financial responsibility with respect to all imports into Germany for which the Government of the United States assumes responsibility, and to the United States' share of any combined financing which may be undertaken in concert with the other occupying powers. A copy of this memorandum is attached.

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1 This memorandum was undoubtedly signed between July 25, the date of Stimson's departure from Babelsberg, and July 29, the date on which Truman acted on the letter of instructions mentioned in paragraph 7 of the memorandum (see document No. 884).
2 Document No. 346, printed in vol. 1.
3 In an earlier draft of this memorandum, dated July 21, prepared for signature by Byrnes and Stimson (file No. 800.515/7-2145), there is the following additional clause at the end of this sentence: “and which have been transmitted by the Economic Sub-Committee to the Foreign Ministers for decision.”
3. The War Department is prepared to accept such responsibility if you so direct.

4. The War Department under present arrangements will be able to finance all food imports into Germany for whatever zone through October loadings.

5. Testimony before Congress indicated that funds made available for the War Department would not be used for maintenance of zones other than the United States, except for a brief turnover period not extending beyond the current calendar year.

6. With respect to any period of time or any zone, the funds which the War Department has received from the Congress for the present fiscal year are restricted to the prevention of disease and starvation.

7. There is attached a proposed letter of instructions from you to the Secretary of War specifying the objectives for the attainment of which the War Department should assume the necessary import procurement and financing responsibility. These objectives are based on the economic principles to govern the treatment of Germany approved in the present conference. Such letter would serve as a basis for requesting appropriations of the Congress in the event that it should be found necessary to obtain additional appropriations for these purposes.

JAMES F BYRNEs
Secretary of State
For the Secretary of War[

JOHN J MccLOY
Assistant Secretary of War

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4 Not attached. For the letter as signed, see document No. 884.

No. 884

Department of the Army Files

The President to the Secretary of War (Stimson)\(^1\)

WASHINGTON [Babelsberg], July 29, 1945.

My Dear Mr. Secretary: The following objectives to which a program of minimum required imports for Germany should con-

\(^1\) Printed from a copy with an authenticated typed signature.
tribute are laid down in principle No. 14 approved by the Foreign Ministers at the present Tripartite Conference:

(a) to carry out programs of industrial disarmament and demilitarization, of reparations, and of approved exports and imports.
(b) to assure the production and maintenance of goods and services required to meet the needs of the occupying forces and displaced persons in Germany and essential to maintain in Germany average living standards not exceeding the average of the standards of living of European countries. (European countries means all European countries excluding U. K. and U. S. S. R.)
(c) to ensure in the manner determined by the Control Council the equitable distribution of essential commodities between the several zones so as to produce a balanced economy throughout Germany and reduce the need for imports.
(d) to control German industry and all economic and financial international transactions, including exports and imports, with the aim of preventing Germany from developing a war potential and of achieving the other objectives named herein.

The War Department is directed to assume procurement and initial financing responsibilities with respect to all imports into Germany for which the Government of the United States assumes responsibility in accordance with the above principles, whether or not an agreed program is formulated and carried out by the Control Council. The War Department, moreover, is directed to assume responsibility for the entire share of the United States of any combined

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2 An earlier draft of this letter, attached to the draft memorandum referred to in footnote 3 to document No. 883, opened with the following three paragraphs:

"The following principle with respect to the establishment of a program of minimum required imports for Germany as a whole, and for the sharing by the occupying powers of responsibility for the procurement and financing of improved [approved] imports has been agreed at the present Tripartite Conference:

"The Control Council shall formulate as soon as possible a program of minimum required imports for Germany as a whole. Such a program shall include provision for equitable inter-zonal distribution of supplies available within Germany, so as to minimize the net deficit for, and imports into, Germany as a whole. Responsibility for the procurement and financing of approved imports for Germany as a whole shall be shared on a basis to be negotiated in the Control Council. Reimbursement for all net advances made for approved imports into Germany shall be a first charge against the proceeds of both exports of capital equipment and of current production and stocks of goods from Germany." (Agreement on this principle has not been reached in the Economic Sub-Committee and the matter has been referred to the Foreign Ministers for determination. This draft must be revised in the light of further action at this conference).

"The objectives to which such an import program should contribute are laid down in principle No. 14":

3 In the draft referred to in the preceding footnote, subparagraph (d) contained the following additional sentence: "For the same purpose no grant of credit to Germany or Germans by any foreign persons or Governments shall be permitted except with the approval of the Control Council."

4 The draft referred to in footnote 2, ante, contains the additional words "in fact" at this point.
financing which may be undertaken in concert with the occupying powers.\footnote{5}

In accordance with the memorandum of July 5 from the Secretary of State,\footnote{6} you will ensure insofar as practicable, that advances for such imports should be a first charge against exports of German current production, facilities, or stocks on hand from your zone or from Germany as a whole.

Harry S. Truman

\footnote{5}{The draft referred to in footnote 2, ante, ends at this point, and space is indicated for the signature of the Secretary of State rather than the President.}
\footnote{6}{Document No. 346, printed in vol. i.}

No. 885

740.00119 Potsdam/7-2045

United States Delegation Working Paper 1


Memorandum for Mr. Clayton

Summary on German Economic and Related Matters

General Understanding—There will have to be one or more basic memoranda on boundaries; "zonal" handling of reparations, and supply.

Economic Principles—There is already agreement on principles 10–17.\footnote{2} Further action: \footnote{3}

a. Delete Principle No. 18.

b. In view of the decision in fact to give up quadrilateral action on reparations operations and on programming, procuring and financing of imports, the last sentence of paragraph 14 (d), already tentatively agreed by the Foreign Ministers, should be amended to read as follows: "except where determined by the occupying power concerned to be required for the payment for necessary imports, no grant or credit to Germany or Germans by any foreign persons or governments shall be permitted". If agreement cannot be reached with the Russians on this amendment, we should insist on the deletion of the entire sentence.

c. A minor improvement would be effected in the document by the following two amendments to paragraph 13:

"(e) Currency and banking, central taxation and customs;"

"(g) Transportation and Communications."

Reparations—Mr. Pauley's memo of July 24.\footnote{4}

Restitution—Our memo of July 23\footnote{5}—section d.

\footnote{1}{Authorship not indicated.}
\footnote{2}{Of the attachment to document No. 863.}
\footnote{3}{Cf. document No. 878 and the Editor's Note to document No. 882.}
\footnote{4}{Presumably document No. 925.}
\footnote{5}{Document No. 916.}
U. S. Property—Our two mimeographed memos: Germany and satellites.6

German External Assets—Proposed statement re vesting of such assets,7 and proposed directive to General Clay re negotiations [sic] of a vesting decree.8

Satellite Assets in Neutral Countries—Memo to Molotov.9

Art Objects—Proposed directive to General Clay10 generally approving his proposal.11

6 Documents Nos. 926 and 842, respectively.
7 See the attachment to document No. 988.
8 See document No. 998.
9 Document No. 846.
10 See the enclosure to document No. 964.
11 Subattachment to document No. 964.

No. 886

740.00119 (Potsdam)/7-3945

Proposal by the Soviet Delegation 1

[Translation]

[BABELSBERG,] July 30, 1945.

POLITICAL PRINCIPLES FOR GERMANY

SOVIET PROPOSAL

The Soviet Delegation propose that the following addition be made to the Article 8 paragraph IV of the “Political principles for Germany”:\n
“Assistance, however, will be rendered to the establishment of a central German Administration composed of secretaries for respective branches of government, in the first instance—of central administrative institutions for foreign trade, industry, finance, transport and communications.

The Central German Administration shall act under the direction of the Control Council [and it will be their task to coordinate the activities of the Provincial Governments in order to ensure the fulfillment of the decisions of the Control Council and the exercise of functions connected with the solving of problems of an All German character.”] 3

1 Attachment 9 to the summary of the Tenth Meeting of the Foreign Ministers, July 30. See ante, pp. 493, 498.
2 Document No. 856.
3 The brackets were inserted in pencil on the original Russian text of this document, and the following comment was written in the margin opposite the bracketed passage: “Sec[retary Byrnes] suggests out”. See ante, p. 493.
No. 887

Proposal by the United States Delegation

[Babelsberg,] July 30, 1945.

Political Principles for Germany

U. S. Revision of Soviet Proposal

The Soviet Delegation propose that the following addition be made to Article 8 paragraph IV of the "Political principles for Germany":

"Assistance, however, will be rendered to the establishment of a central German Administration composed of secretaries for respective branches of administration, in the first instance—of central administrative institutions for foreign trade, industry, finance, transport and communications. The Central German Administration shall act under the direction of the Control Council."

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1 Attachment 10 to the summary of the Tenth Meeting of the Foreign Ministers, July 30. See ante, pp. 493, 498.
2 For the Soviet proposal, see document No. 886.
3 Document No. 856.

No. 888

Proposal by the British Delegation

[Babelsberg, July 30, 1945.]

The First Charge

The following should be included in the Economic Principles:

"Payment for approved imports into Germany shall be a first charge against the proceeds of exports out of current production and out of stocks of goods."

This corresponds with what Mr. Molotov said at the meeting of Foreign Secretaries on the 23rd July. "Approved imports" means imports approved by the Control Council. If the Control Council does not approve imports which any one of the four Governments regards as essential, a new situation arises and will have to be dealt with by the four Governments. Meanwhile, each Zone Commander remains responsible to his own Government for administering his own Zone.

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1 Cf. the Rapporteur's report on the Tenth Meeting of the Foreign Ministers, July 30, ante, p. 501.
2 See ante, p. 280.
United States Delegation Working Paper

[BAEBLSBERG,] July 31, 1945.

MEMORANDUM

The British proposal regarding imports as a first charge as [sic] against exports could well be incorporated by adding the language they propose as a last sentence to Section 14-(b) of the Economic Principles. It would then read as follows. (The British language to be added which we agree to with the exception of the word “approved” is underlined).3

“14. Allied controls shall be imposed upon the German economy but only to the extent necessary:

(a) . . .

(b) to assure the production and maintenance of goods and services required to meet the needs of the occupying forces and displaced persons in Germany and essential to maintain in Germany average living standards not exceeding the average of the standards of living of European countries. (European countries means all European countries excluding U. K. and U. S. S. R.). Payment for approved imports into Germany shall be a first charge against the proceeds of exports out of current production and out of stocks of goods.”

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1 Authorship not indicated.
2 Document No. 888.
3 Words underlined in the original document are here italicized.
4 Ellipsis in the original.

No. 890

800.515/7-545

The Director of the Office of Financial and Development Policy (Collado) to the Assistant Secretary of State (Clayton) 1

[BAEBLSBERG,] August 1, 1945.

I have discussed the attached with Admiral Leahy, who tells me he does not know whether the Secretary has talked to the President about the proposed letter from the President to the Secretary of War on German financing, nor whether the President has signed it. He agrees with me, as does Mr. Despres, that in view of the present form of [the] reparations agreement,3 it would be unwise, although

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1 Printed from the ribbon copy, which is unsigned.
2 See document No. 884.
3 See documents Nos. 971 and 972.
perhaps not absolutely fatal, for the word “facilities” to be included
in the first charge sentence of the directive. I have accordingly
prepared the attached second sheet 4 in which this word is omitted.
The Admiral thought perhaps you might be able to have this page
substituted whether or not the President has actually signed the
original.

4 The only attachment to this document is a substitute page 2 which is identical
with the final paragraph of document No. 884 except that the word “facilities”
and the commas preceding and following that word are omitted. The proposed
substitution was not made.

No. 891

740.00119 (Potsdam)/7-3145

The United States Representatives on the Economic Subcommittee to the
Secretary of State 1

[Babelsberg,] August 1 [1945]—1:00 p. m.

REPORT TO THE SECRETARY ON THE WORK OF THE ECONOMIC
SUBCOMMITTEE

There is attached the Third Report of the Economic Subcommittee
to the Foreign Ministers. 2

With respect to Article 19, the discussion indicated that the U. S.,
U. K. and U. S. S. R. representatives were all in fact in agreement on
two paragraphs:

"Payment of reparations should leave sufficient resources to enable
the German people to subsist without external assistance.
"Payment for imports into Germany approved by the Control
Council shall be a first charge against the proceeds of exports out of
current production and out of stocks of goods."

We felt that we could not agree to report favorably these two para-
graphs alone without insisting that the following be recorded in the
protocol:

"The above clause will not apply to the equipment and products
referred to in paragraphs 4 (a) and 4 (b) of the Reparations Agree-
ment." 3

The British representatives indicated that they would concur. When
the Soviet representatives refused to agree to a report that would have

1 Printed from an unsigned copy prepared by the United States Delegation at
Babelsberg.
2 For the paragraphs omitted here, see document No. 1002.
3 See the attachment to document No. 972.
included a statement of the position of the U. S. representatives in this matter, it became necessary to fail to agree on any part of the subject. 

It had been the understanding of the U. K. and U. S. representatives that in the event Article 19 as indicated above had been agreed upon, it would still have been necessary for you and/or the President to indicate that the general Control Council agreement proclaimed June 5 would be operative, that is, if the Control Council failed to agree, each zone commander would still be free to import into his own zone such supplies as his government considered essential, for the payment of which he might assess a first charge on exports from his own zone.

[Attachment—Extracts 5]

THIRD REPORT OF THE ECONOMIC SUBCOMMITTEE TO THE FOREIGN MINISTERS 6

The Economic Subcommittee considered the questions of a statement regarding German external assets 7 and an Article 19 8 of the Economic Principles relating to payment for imports into Germany.

The Subcommittee also failed to reach agreement in the matter of an Article 19 of the Economic Principles.

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4 See Treaties and Other International Acts Series No. 1520; 60 Stat. (2) 1649.
5 For the other sections of this report, see the attachment to document No. 1002 and document No. 1325.
6 This report was presented at the Eleventh Meeting of the Foreign Ministers, August 1. See ante, p. 562.
7 See document No. 1000.
8 See documents Nos. 872, 873, 875, and 876.

EDITOR'S NOTE.—For the final Conference texts on the principles to govern the treatment of Germany in the initial control period, as included in the Protocol and Communiqué, see post, pages 1481, 1501.
The Assistant Secretary of State (Clayton) and the Director of the Office of Financial and Development Policy (Collado) to the Deputy to the Assistant Secretary of State for Economic Affairs (Thorp)  

[Extracts ²]

SECRET  

LONDON, August 16, 1945—5 p. m.  

8296. For Thorp from Clayton and Collado.  

The tenor of a number of recent telegrams addressed to us and to Despres by the Department leads us to believe that we should not await our return before giving a few general explanations on the German economic decisions of Potsdam. . . .

. . . . . . . . . . . .

With respect to import programs and the financing thereof every attempt will have to be made to agree with the Soviets in the Control Council on an approved program. The Soviets have agreed that approved imports shall be a first charge on exports. If as appears quite likely it becomes impossible to agree upon an approved import program in the Control Council the matter will revert to the zone commanders who will assess their own first charges on exports. At this level it will undoubtedly be desirable to arrange tripartite programs and we would agree with General Clay and General Hildring that there would be some bargaining advantage on the supply side especially in connection with obtaining coal required from the Ruhr if General Clay had a considerable measure of control over supplies imported from the US and was thus able to do much of the combined programming at his end.

With respect to finance the President as you undoubtedly know did sign the directive ³ a copy of which was sent to Phelps and consequently the War Department must assume full US financial responsibility whether we operate on a zonal or a combined basis. General Hildring who is in London recognizes that of course the reparation agreement decisions with respect to capital equipment supersede any mention of facilities in the last paragraph and that in practice it will not be practicable to assess a first charge against exports of capital equipment to other claimants either.

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1 Sent to the Secretary of State over the signature of Winant.  
2 For the portions of this message omitted here, see document No. 979.  
3 Document No. 884.  

[No. 892]
In the first instance the results of joint programming of imports into [in?] the Control Council will determine whether there is any use attempting to discuss quadripartite financing. If this becomes impossible we would recommend a tripartite sharing of financial responsibility pending eventual assessment of a first charge on German exports which may take two or three years to work itself out.

In this connection we discussed at Potsdam and have solidified our views in London with respect to the financing of displaced persons in Germany. These are embodied in the following paragraph in our proposal on displaced persons:*4

"The administration*5 is authorized to make agreements with the governments or occupying authorities in control of areas of Germany for the care or transportation of displaced persons provided that the basis [basic?] supplies equipment and transportation whether indigenous or imported necessary for the care and transportation of displaced persons within Germany shall not be a charge on the resources of the administration."

We do not wish to put the additional financial burden on UNRRA whose funds will at best be severely limited in relation to demands put upon it; we should point out that the military will have to make most of the supply arrangements in any event; and we do not believe UNRRA is in a position to advance a revolving fund against a first charge on Germany which can be implemented only by the military and after UNRRA ceases to exist. It is possible that the British may resist this proposal and General Hilldring has indicated objection to UNRRA operations unless UNRRA does the financing. We strongly believe that such objections should be overruled.

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*4 For presentation at the UNRRA Council meeting at London in August 1945.
*5 i.e., UNRRA.

REPARATIONS, RESTITUTION, AND WAR BOOTY

Editor's Note.—Papers relating to general statements of principle on the exaction of reparations from Germany and on the relative priority to be given reparations and imports as a charge against the proceeds of German exports are printed ante, page 750, under the heading: Germany—Principles To Govern the Treatment of Germany in the Initial Control Period. Papers on special aspects of the reparations question are printed under the following headings: (a) Germany—External Assets, post, page 949; and (b) Germany—The Rhineland and the Ruhr, post, page 989.
The Representative on the Allied Commission on Reparations (Pauley) to the Secretary of State

[BABELSBERG,] July 16, 1945.

My Dear Mr. Secretary: Because reparations must include all transfers of property within the whole of the German Reich as its boundaries existed at the end of the year 1937, the relationship between reparations and ceded German territory has been given considerable study by our delegation.

Upon this subject, I attach a memorandum embodying four provisions which I strongly recommend be included as a part of any agreement entered into by the United States confirming the ceding of any portion of Germany to other nations.

Respectfully,

EDWIN W. PAULEY

[Attachment]

MEMORANDUM BY THE UNITED STATES SECTION, ALLIED COMMISSION ON REPARATIONS

Re: Relationship between Reparations and ceded German territory

As a part of any agreement confirming the ceding of any portion of Germany as its boundaries existed at the end of 1937, it shall be provided that:

1. Any property or current production available for removal from any ceded territory shall be first utilized within Germany to whatever extent occupation authorities require to avoid the necessity of imports into Germany;

2. Thereafter, the value or proceeds of any property or current production from any ceded territory available for delivery outside of Germany shall be first used to pay for approved imports into Germany;

3. If sufficient funds are available to pay for all such approved imports, the proceeds or value of any assets delivered from any ceded territory shall be treated as a reparations deliveries [delivery] to such nation or nations and in such amounts as may be designated by the Allied Commission on Reparations, or a permanent Reparations Agency to be created;

4. The value of all property remaining within the boundaries of any territory ceded to any other nation shall be counted as reparations. To the extent that the current production of any such property is required to be delivered for reparations, or, to defray the cost of approved imports into Germany, an appropriate adjustment in the value of such property shall be made.

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1 Authorship not indicated. This paper was used in the Pauley–Monckton meeting of July 15. See vol. i, document No. 380.
Agreed Principles.

The Allied Commission on Reparations has agreed on seven basic principles (text attached).

Principle for Decision.

The Commission has failed to reach agreement on the underscored last clause of an eighth principle:

"After payment of reparations, enough resources must be left to enable the German people to subsist without external assistance. In working out the economic balance of Germany, the necessary means must be provided for payment of imports approved by the governments concerned before reparation deliveries are made from current production or from stocks of goods." 2

The United States Government fully concurs in these principles and must insist that such necessary imports as are approved by our governments shall constitute a first charge against exports from Germany of current production and stocks of goods. To do otherwise, will lead either to a repetition of our mistakes at the end of the last war, or leave us unable to bring about the desired industrial disarmament of Germany.

Definitions and Allocation of Reparations.

The United States proposes immediate agreement on definitions of restitution, war booty, and reparations (text attached). The Commission has agreed on a formula for allocation of reparations between the U. S. S. R., U. K. and U. S. and a procedure for settling the division of reparations among other countries (texts attached).

The United States Government feels that the definitions of restitution, war booty, and reparations are so interrelated with the formulae for allocation of reparations that agreement must be reached on all of these matters simultaneously.

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1 Annex 1 to document No. 852, circulated at the First Plenary Meeting, July 17. See ante, p. 52. Although this paper is marked annex 1, there is no other annex. Concerning the origin of this document, see document No. 980.

2 Words in italics were underscored in the original. Cf. vol. 1, documents Nos. 375 and 376.
AGREED PRINCIPLES OF REPARATIONS

I. Removals of property for reparations shall be primarily such as to assist in bringing to an end the war-making power of Germany by eliminating that part of Germany's industrial capacity which constitutes war potential.

II. Reparations shall be such as will speed recovery and reconstruction in countries devastated at German hands.

III. For the purposes of making a reparations plan, Germany will be treated as a single economic unit.

IV. Any plan of reparations shall be avoided which necessitates external financial assistance either to enable reparations deliveries to be made or to facilitate economic reconstruction required for reparation purposes, or which might, in the opinion of the Governments concerned, prejudice the successful execution of the task entrusted to the Armies of Occupation.

V. To a maximum extent reparations shall be taken from existing national wealth of Germany. While for convenience claims may be stated in money, it is necessary to bear in mind that in contrast to reparations after World War I which were assessed and exacted in money, this time reparations will be assessed and exacted in kind in the form of things, such as plants, machines, equipment, stocks, foreign investments, etc.

VI. In order to avoid building up German industrial capacity and disturbing the long term stability of the economies of the United Nations, long run payment of reparations in the form of manufactured products shall be restricted to a minimum.

VII. In justice to those countries occupied by the enemy, reparations shall be calculated upon the basis that the average living standards in Germany during the reparation period shall not exceed the average of the standards of living of European countries. European countries means all European countries excluding U. K. and U. S. S. R.

PROPOSED DEFINITIONS

The United States proposes that:

1.) Restitution shall be confined to identifiable artistic, religious and cultural objects existing at the date of the invasion of the territories from which such objects have been removed, insofar as such objects can be recovered and irrespective of the form of dispossession by which they came into enemy hands. While any nation entitled to reparation may be allowed a prior claim for the return of certain other particular types of identifiable property removed by the enemy, the value of
such property, if returned, shall be entered on the reparation account of such nation.

2.) War booty shall be limited to finished equipment and supplies produced for and belonging to the German armed forces exclusive of any facilities used to produce such equipment or supplies.

3.) Except for property transferred as restitution, war booty or exports to pay for approved imports, all property in the territory within the boundaries of the German Reich as it existed on December 31, 1937 shall be subject to reparations.

[Attachment 3]

AGREED IN THE ALLIED COMMISSION ON REPARATIONS

In accordance with the principles established at the Crimean Conference, namely, that the countries entitled to the greatest share of reparations are those which have borne the main burden of the war, have suffered the heaviest losses and have organized victory over the enemy, the Allied Commission on Reparations agrees that the total sum of reparations (including both what is received on account of removals from the national wealth of Germany and what is received from annual deliveries after capitulation) will be distributed as follows:

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>U. S. S. R.</td>
<td>56%</td>
</tr>
<tr>
<td>U. K.</td>
<td>22%</td>
</tr>
<tr>
<td>U. S. A.</td>
<td>22%</td>
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</tbody>
</table>

Total: 100%

To meet the validated claims for reparations on the part of the other nations, as determined by mutual agreement of the three powers, each of the three powers will give up from their share in the ratio that each share bears to the total.

[Attachment 4]

AGREED IN THE ALLIED COMMISSION ON REPARATIONS


1. The Allied Commission on Reparations will send a communication as soon as possible through the Governments of the U. K., U. S. A., and U. S. S. R. inviting all the United Nations that have taken a direct part in the war with Germany to submit within one month to the Allied Commission on Reparations through their Diplomatic Representatives in Moscow, or otherwise, statements showing data

3 See vol. 1, document No. 376.
4 See document No. 1416, section v.
for establishing their reparations claims against Germany and the value of German pre-war assets in their territory. The nature of the data to be submitted will be determined subsequently.

2. On receipt of the data the Allied Commission on Reparations will decide as a basis of discussion on a provisional list of countries entitled to receive reparations and also on the percentage to be allotted to each of them.

3. The Allied Commission on Reparations will in such form as is found to be convenient enter into negotiations with the United Nations whose claims to reparations are considered to be well founded with the object of securing their agreement to the percentage of reparations which has been provisionally suggested by the Allied Commission on Reparations.

4. If the said negotiations with the United Nations whose claims to reparations have been recognized are successful the Allied Commission on Reparations through the member Governments will send to these nations a further communication inviting them to take part in a special conference for the conclusion of a general agreement on reparations between the interested nations.

If however the preliminary negotiations prove not sufficiently successful to make it possible to call a conference of this kind the Allied Commission on Reparations will consider afresh in the light of the factual material in its possession the question of the further steps required.

5. A Communication will be sent to the United Nations whose claims to reparations have not been approved informing them of the decision of the Allied Commission on Reparations with an indication of the reasons for that decision.

No. 895

J. C. S. Files

Memorandum by the United States Chiefs of Staff ¹

SECRET

[BABELSBERG,] 17 July 1945.

C. C. S. 706/14 (TERMINAL)

DISPOSAL OF ENEMY WAR MATÉRIEL IN GERMANY AND AUSTRIA

Reference:

CCS 706/11 ²

The United States Chiefs of Staff recommend that the Combined Chiefs of Staff approve Appendices “A” and “B” to C. C. S. 706/11 as amended herein.

¹ Considered by the Combined Chiefs of Staff at their 197th Meeting, July 20. See ante, p. 162.

² Document No. 361, printed in vol. i.

[No. 895]
SECRET

**Draft Message**

*Message to Supreme Commander, Allied Expeditionary Force,* 3 and to the Supreme Allied Commander, Mediterranean, 4 from the Combined Chiefs of Staff; to the Commanding General, United States Forces, European Theater, 5 from the United States Chiefs of Staff; and to the Commander in Chief, British Forces of Occupation in Germany, 6 from the British Chiefs of Staff.

The London Munitions Assignments Board is being authorized to assign surrendered or captured enemy matériel (unless it is of non-German origin) in the hands of British- or American-commanded forces in Austria and Germany to the forces of those countries employed in furtherance of the agreed strategy in the war against Japan. After the dissolution of Supreme Headquarters, Allied Expeditionary Force, unless agreement has been reached in the Control Council, the respective Chiefs of Staff will issue further instructions to the commanding officers of the British and United States zones of occupation with respect to treatment of enemy matériel which is in excess of the requirements of the military commanders and in excess of the matériel needed to fill the requirements of the London Munitions Assignments Board. Pending the receipt of such instructions, no such matériel should be destroyed except in so far as such destruction is required for military and public security.

The above message is in reply to SCAF 447, 6 which is being repeated to the Supreme Allied Commander, Mediterranean, today.

[Appendix B—Paraphrase]

SECRET

**Draft**

**Message to the London Munitions Assignments Board**

Until the countries which are members of the European Advisory Commission have agreed upon a disposal policy, and until such an agreed policy is implemented, the London Munitions Assignments Board is authorized to assign surrendered or captured enemy matériel (unless it is of non-German origin) in the hands of British- or American-commanded forces in Austria and Germany to the forces of those countries employed in furtherance of the agreed strategy in the war against Japan. After the dissolution of Supreme Headquarters, Allied Expeditionary Force, unless agreement has been reached in the Control Council, the respective Chiefs of Staff will issue further instructions to the commanding officers of the British and United States zones of occupation with respect to treatment of enemy matériel which is in excess of the requirements of the military commanders and in excess of the matériel needed to fill the requirements of the London Munitions Assignments Board. Pending the receipt of such instructions, no such matériel should be destroyed except in so far as such destruction is required for military and public security.

The above message is in reply to SCAF 447, 6 which is being repeated to the Supreme Allied Commander, Mediterranean, today.

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*Words underscored are proposed additions. Words italicized are proposed deletions.* [Footnote in the source copy.]

3 General of the Army Dwight D. Eisenhower.

4 Field Marshal Sir Harold Alexander.

5 Field Marshal Sir Bernard Montgomery.

6 See vol. 1, document No. 361, appendix D.

†Words underscored are proposed additions. [Footnote in the source copy.]
American-commanded forces in Austria and Germany to the forces of those countries which will use such matériel in furtherance of the agreed strategy in the war against Japan.

No. 896

740.00119 Control (Germany)/7-1745

The Political Adviser in Germany (Murphy) to the Secretary of State

SECRET FRANKFURT [sic], July 17, 1945.

No. 661

Subject: Transfer of Scientific and Military Research Institutions From Germany to Russia

Sir: I have the honor to enclose a memorandum regarding the transfer to Russia of the personnel and equipment of certain scientific institutions in Berlin. This memorandum was received from a German lawyer who is known by officers of my staff who resided in Berlin before the war and who vouch for his reliability.

Respectfully yours, ROBERT MURPHY

[Enclosure—Translation]

SECRET BERLIN, 14 July 1945.

TRANSFER OF MILITARY RESEARCH AND SCIENTIFIC INSTITUTIONS TO SOVIET RUSSIA

The dismantling and shipping out of laboratories and industries essential in the production of secret weapons may be described by two examples. Thus, for instance, was the case with the institutes and inventors of the V-1 and V-2, situated in Lichterfelde and Lankwitz, which were transported to Russia, together with their apparatus, laboratories and drawings, assistants and technical workers, and existing and new, as yet unknown, patents. It was significant that these military institutes and research plants were immediately and arbitrarily taken apart and shipped complete, with the greatest speed, to the East in Russian military transport vehicles.

Following is a report on the liquidation of the most important and largest scientific research plant, the Kaiser-Wilhelm-Gesellschaft in Berlin.

I.

Due to its measures for decentralizing to West and South Germany—1943/44—only a part of the scientific stock—material and personnel—of the Kaiser-Wilhelm-Gesellschaft was taken over by the Russian occupation.
The institutions of the Kaiser-Wilhelm-Gesellschaft situated in Berlin, Mark Brandenburg, and the territory between the Elbe and the Oder, were all discovered by the Russians and their stock was liquidated.

II.

THE DAHLEM KREIS OF THE KAISER-WILHELM-GESELLSCHAFT

1.

The Kaiser-Wilhelm-Institute for Physical Chemistry and Electrochemistry (*Kaiser-Wilhelm-Institut für physikalische Chemie und Elektrochemie*) had stayed behind in Berlin in full working strength. After the capitulation of Berlin, deputies appeared from Moscow (trophy skeleton staffs under technical officers), who began at once the work of dismantling. These measures were undertaken precipitately, only partially in a more reasonable manner, according to the probability of the approach of the American or Western Allied forces. During this dismantling work the head of the institute—Professor Thiessen—was told that he could have his institute back in Russia. Professor Thiessen is going to Russia with some of his scientific co-workers. However, his change-over, at first to the Russian zone in Berlin, took place only after the arrival of the American troops in Dahlem. Three younger scientific co-workers escaped being taken by means of disappearing (under threat of force). Except for a small amount of stock, the institute has been cleared out.

2.

The Kaiser Wilhelm Institute for Physics (*Kaiser-Wilhelm-Institut für Physik*) was headed until the outbreak of war in 1939 by Professor Debye, the well known physicist of Netherlands nationality, who went to the United States during the war and is probably still there. The management of the institute was taken over by Professor Heisenberg, who moved himself and the greater part of the institute to Hechingen.

The low-temperature physics (*Kältephysik*) section remained in Berlin under the management of Dr. Bewilogua, and has been moved to Moscow. In this connection, the whole institute, together with apparatus from other sections, for instance high tension and Röntgen plants, was moved out. This move embraced the most primitive furnishings, such as water faucets, washbowls, doorknobs, etc.; even the name Max-Planck-Institut was taken along.

In this institute there were the general administration archives of the Kaiser-Wilhelm-Gesellschaft, which had been saved from the
demolished Berliner Schloss. In spite of urgent representations, the safe with all foundation and tradition documents, senate decisions and all other important deeds was carried off to the East.

Dr. Bewilogua has already left for Moscow, and together with him the Nobel-prizewinner Hertz, the physicist von Ardenne (V-1 and V-2), as well as other inventors and outstanding technical scientist[s].

3.

Furthermore, of the Dahlemer subsidiary institutes (main institute moved to southwestern Germany), the following have been affected by the dismantling program:

- Institute for Biology (Institut für Biologie)
- Institute for Biochemistry (Institut für Biochemie)
- Institute for Chemistry (Institut für Chemie)
- Institute for Anthropology (Institut für Anthropologie)
- Silicate Research Institute (Institut für Silikatforschung).

III.

KAISER WILHELM INSTITUTES BETWEEN THE ELBE AND THE ODER

1.

Kaiser Wilhelm Institute for Seed Cultivation Research (Kaiser-Wilhelm-Institut für Züchtungsforschung) in Müncheberg (Mark Brandenburg).

The buildings have been preserved as a whole; at present a Russian staff is in the institute. The plants, particularly the extensive greenhouses and laboratories, are in Russian hands.

2.

Institute for Cell-Physiology (Kaiser-Wilhelm-Institut für Zellphysiologie), Director Professor Warburg.

Professor Warburg had moved his institute to Schloss Liebenberg bei Löwenberg i[n] d[er] Mark. In Dahlem the Russians promised that Professor Warburg’s institute (Rockefeller Foundation, relationship of Professor Warburg with the banking house New York, Hamburg) was to be safe from evacuation measures. Nevertheless, the stock of the institute was removed from Liebenberg. This stock is supposed to be still in Spandau.

3.

There is as yet no reliable news regarding the Institute for Raw Fibre Research (Institut für Bastfaserforschung) in Sorau.

[No. 896]
SECRET

US URGENT

40. (For Clayton.)

British note of July 9 refers to Pauley's communication on June 27 to Monckton of paraphrase of his instructions to his representative at Frankfurt and raises whole question of arrangements for interim exports from Germany pending assumption by ACC of responsibility in this field. Note communicates draft of British views on such exports, excluding movement for purposes of restitution, on which position is reserved, which has been sent to Monckton for discussion with Pauley. British hope to get Pauley to modify his instructions to his representative, to reach agreement on instructions for British and US zones, then to approach Maisky jointly.

British interpretation of Pauley's instructions to his representative differs from that held by Department, ETOUSA and Judge Rosenman. Difficulty arises over ambiguity in paragraph 2 of Pauley's instructions (2298 from Moscow to Department, June 27), which states that approval shall be given by Pauley representative to exports from US zone for purposes of reconstruction provided receipts are signed leaving open questions of restitution, reparation, etc. Context of telegram, including introductory remarks and first sentence of paragraph under reference, made clear this approval was required only for property asked for by way of restitution.

Department proposes to reply to British note first on question of Pauley's involvement in questions of interim exports. Reply will state that his approval is required only on goods asked for by way of restitution, although he has an interest, pending the conclusion of agreements by the Reparation Commission on interim exports and their adoption by governments, in holding open the question of whether exports not asked for by way of restitution are exported on reparation, restitution or commercial account for which payment will later be required in acceptable currency. This interest is protected by receipts to be given by importing country. Meanwhile General Eisenhower has responsibility for availabilities, collection of information on requirements of Allied countries, and allocations.

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1 Sent to the Secretary of State at Babelsberg.
2 Document No. 372, printed in vol. 1.
3 See vol. 1, document No. 360.
4 J. H. Adams.
5 See vol. 1, document No. 360, footnote 1.
Judge Rosenman has agreed to this interpretation of the power of
control sought and obtained by Pauley from President. He is
anxious, however, to clear this matter with Pauley before replying to
British Government either on jurisdiction or substance.
Will you ascertain whether Pauley agrees with this position?
Copy of letter to Pauley, British note and draft preliminary reply \(^6\) will be sent you in Thursday pouch. Telegram sent against
possibility Pauley will return to Moscow before letter arrives.

\text{[Grew]}

\(^6\) None printed.

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**No. 898**

*Department of the Army Files: Telegram*

**The Representative on the Allied Commission on Reparations (Pauley) to the Acting Head of the Delegation to the Allied Commission on Reparations (Sproul)**

**SECRET**

**Babelsberg, July 17, 1945.**

**PRIORITY**

**VICTORY 52.** Please have Abramovitz cable at once the following
(1) what percentage of German prewar capital assets (From Pauley
for Sproul for Abramovitz) were located in zone allocated to USSR
(2) estimate of value of German movable capital assets in 1938 east
of Oder Neisse line (3) approximate estimate of value of industrial
and mining output of this area for the year 1938. **CONFREP 2.**

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**No. 899**

*Pauley Files: Telegram*

**The Delegation to the Allied Commission on Reparations to the Representative on the Allied Commission on Reparations (Pauley) \(^1\)**

**SECRET**

**Moscow, 18 July 1945.**

**PRIORITY**

To US Headquarters Berlin District Visitors Bureau for Ambas-
dassador Pauley from Sproul, Abramovitz and Bergson signed Deane
M 25043. **(CONFMESS 5)**

1. Approximately 40 per cent of both movable and fixed capital
assets before the war were located in Russian Zone. This includes
Berlin.

\(^1\) Sent by the United States Military Mission, Moscow, via Army channels.

\[No. 899\]
2. Movable capital assets east of Oder–Neisse line were worth about 6 Billion Reichsmarks in 1938. This was about 12 per cent of total Germany. This does not include value of land, mineral reserves, fixed plant, housing, commercial establishments or commercial and manufacturing inventories. Values are net after depreciation. Present value probably not less than in 1938.

3. Based on value added, industrial and mining output. Area east of Oder Neisse was about 28 Billion Reichsmarks in 1938. This was about 7 per cent of total Germany.

4. It should be noted that because of dislocations involved, loss of territory may affect Germany’s capacity to pay in somewhat greater degree than percentage figures above would suggest.

No. 900

740.00119 (Potsdam)/7-3145

The Representative on the Allied Commission on Reparations (Pauley) to the Secretary of State ¹

[BABELSBERG,] July 18, 1945.

My Dear Mr. Secretary: The attached memorandum on the relationship between reparations and ceded German territory embodies what we believe to be certain improvements over a similar memorandum submitted to you in my letter of July 16th.²

The purpose of this proposal is quite simple. It aims to distribute reparation burdens as well as benefits among those receiving ceded German territory. The first three points provide that any exportable surpluses of commodities from any ceded territory shall be subject to the following priorities:

First, Shipment into Germany to such extent as these commodities are needed to sustain minimum subsistence.
Second, To pay for imports into Germany where needed to sustain minimum subsistence.
Third, For payment into the general reparation fund to be allocated among claimant nations.

The fourth and last point provides that the value of capital equipment and natural resources located in any ceded territory shall be accounted for as reparations delivered to the receiving nation.

¹ Printed from a copy on which there is an uncertified typed signature.
² Document No. 893.
Since I understand that the subject of the eastern boundaries of Germany will be considered at today’s meeting of the heads of the Governments, I urge that you give this subject your immediate personal consideration.

Respectfully,

EDWIN W. PAULEY

[Attachment]

MEMORANDUM BY THE UNITED STATES SECTION, ALLIED COMMISSION ON REPARATIONS

Re: Relationship between Reparations and ceded German territory.

As a part of any treaty recognizing the ceding of any portion of Germany as its boundaries existed at the end of 1937, it shall be provided that:

One. Any property or current production available for removal from any ceded territory shall be first utilized within Germany to whatever extent occupation authorities require to avoid the necessity of imports into Germany.

Two. Thereafter, the value or proceeds of any property or current production from any ceded territory available for delivery outside of Germany shall be first used to pay for approved imports into Germany.

Three. If sufficient funds are available to pay for all such approved imports, the proceeds or value of any assets delivered from any ceded territory shall be treated as a reparations delivery to such nation or nations and in such amounts as may be designated by the Allied Commission on Reparations, or a permanent Reparations Agency to be created.

Four. The value of capital equipment and natural resources within the boundaries of any territory ceded from Germany to any other nation shall be accounted for as reparations. To the extent that the production of such equipment or resources is pledged for reparations or to pay for approved imports into Germany, the reparation value of such equipment and resources shall be correspondingly decreased.

(Practically, the foregoing obligations may well have to be funded both in the form of agreements to deliver certain fixed quantities of coal, zinc, coke, iron, steel, cement, calcined soda, etc., for a definite period of years, and by reducing the amount of reparations which will be delivered to the nation receiving ceded territory or delivered to another nation for whose security territory may be ceded.[])

[No. 900]
United States Delegation Working Paper

No. 901

Pauley Files

GOLD

1. The U. S. may be committed by various international declarations to restore any identifiable gold to the banks in liberated nations from which it was taken by the Germans.

2. Most of the gold (some $250,000,000.) in our possession will prove identifiable.

3. Although it can be argued that all gold when captured is “war booty”, it may be advisable not to insist upon such a claim.

   (a) It might be construed as breaking our commitments referred to above;

   (b) It might tend further to undermine the “gold standard”—certainly contrary to our own interests in view of our already large gold stocks.

4. But whether or not we should yield our claim to gold as “war booty” may be regarded as a bargaining point which will turn upon how far other Nations yield to our views on reasonable definitions of both “restitution”, “war booty” and an accounting therefor. It also provides a lever to use in connection with the French who probably will assert the largest claim for “restitution” of gold in our possession.

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1 Authorship not indicated. This paper bears the following manuscript notation: “Note used for discussion with President at Potsdam, about July 18.”

Report by the Economic Subcommittee

[Extract 1]

TOP SECRET

[BABELSBERG, JULY 20, 1945.]

REPORT OF THE ECONOMIC SUB-COMMITTEE TO THE FOREIGN SECRETARIES

The Allied Commission on Reparations has agreed on seven basic principles. The Sub-Committee recommend that these principles (Annex I 5) should be accepted.

The Allied Commission on Reparations failed to reach agreement on the underscored last clause of an eighth principle:

"After payment of reparations, enough resources must be left to enable the German people to subsist without external assistance. In working out the economic balance of Germany, the necessary means must be provided for payment of imports approved by the Governments concerned before reparation deliveries are made." 4

As stated above, the Sub-Committee have been unable to reach agreement on this point.

The Sub-Committee, at the request of the Soviet representative, have postponed discussion of definitions of reparations, restitution and war booty. 6

The Sub-Committee were informed that the Allied Commission on Reparations had agreed on a formula for allocation of reparations between the U. S. S. R., U. K., and U. S. and a procedure for settling the division of reparations among other countries, the texts of which are attached as Annexes III and IV. 9

The United States representatives feel 7 that the definition of restitution, war booty and reparations are [sic] so interrelated with the formulae for allocation of reparations that agreement must be reached

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1 For the other sections of this report, see document No. 863.
2 So dated in an "Index of Attachments to Summary of the Negotiations in the Economic Sub-Committee" (file No. 740.00119 (Potsdam)/7–3145), but not considered by the Foreign Ministers until July 21. See ante, p. 187.
3 Annex I is identical with attachment 1 to document No. 894.
4 The passage here printed in italics was underscored in the original.
5 This paragraph does not appear in a draft of this report found in Frankfurt US Pol Ad Files. Instead, there is the following additional sentence at the beginning of the next paragraph: "The Sub-Committee have not up to the present been able to reach agreement on definitions of restitution and war booty."
6 Annexes III and IV are identical, respectively, with attachments 3 and 4 to document No. 894.
7 The draft referred to in footnote 5, ante, reads: "The United States Government feels".
on all of these matters simultaneously. The Sub-Committee therefore make no recommendations on these matters at the present time.

No. 903

740.00119 EW7/2145 : Telegram

The Assistant Secretary of State (Clayton) to the Acting Secretary of State

SECRET

BABELSBERG, July 21, 1945.

VICTORY 149. Acting Secretary of State Washington from Clayton.

While Pauley concurs in Department’s interpretation of his instructions to Adams, (reurtel No. 40 of July 18 [17], 1945 ¹) in view of Soviet efforts to subordinate payment for necessary imports into Germany to delivery for reparations of even current production of [sic] stocks of goods in Germany, he emphasizes his interest, as suggested in your wire, in securing payment or an enforceable obligation for payment of all interim exports of current production and stocks of goods. The whole question of approved imports into Germany as constituting a first charge on all exports of current production and stocks of goods from Germany has been submitted to the heads of government here and it may be advisable to delay reply to British note ² until this issue is resolved.

¹ Document No. 897.
² Document No. 372, printed in vol. 1.

No. 904

740.00119 (Potsdam)/7-3145

Proposal by the Soviet Delegation ¹

[Translation?]

SECRET

[BABELSBERG], July 21, 1945.

SOVIET DRAFT

Under the “war trophies” is understood:

1. All military supplies and equipment of Germany, including all supplies and military equipment, which belong, [were] ² being used or

¹ A variant copy in the Pauley Files of this proposal and of that in document No. 905 is headed, “Following Definitions Submitted to the Soviet Government to the Economic Sub-Committee July 21, 1945”. A copy in Frankfurt USPolAd Files has the following notation by Murphy: “Maiisky insists that the Soviet Union has the right to take and remove anything & everything from its zone of occupation. ‘Maybe we won’t exercise it.’”
² Manuscript interpolation in a copy of this document in the Pauley Files. This copy is marked: “As presented by Maiisky”. Another copy in these files is marked: “Note: Mr. Maiisky says Equipment means, plants, machinery, coal mines, etc.—You have a right to take them, but of course you may yield your right here and there.”
have to be used by the military and para military units of the enemy or by the members of these units;

2). All supplies and equipment used by the enemy to satisfy his military needs and captured by the Allies before the end of the war on territories where military operations were conducted.

No. 905

740.00119 (Potsdam)7-3145

Proposal by the Soviet Delegation ¹

[Translation?]

SECRET

[BABELSBERG,] July 21, 1945.

SOVIET PROPOSAL

1. Restitution is limited to property which can be identified as having existed at the moment of enemy occupation of the territory from which this property was removed, as well as property which came into existence on the said territory during the period of enemy occupation, if this can be established and irrespective of the manner in which it fell into the hands of the enemy.

2. As regards property which was destroyed by the enemy or utilized or lost value as a result of enemy action, the right is retained to replace it by similar or comparable property only in the case of objects of unique character such as works of art, historical objects, libraries, unique installations, etc.

3. The injured country retains the right to make claims within the limits defined in paragraphs 1 and 2 to restitution in respect of property removed by the enemy which is found in any third country.

4. It is moreover agreed that all questions of restitution will be dealt with on behalf of the injured property owners by the State of which they are citizens.

¹ A variant copy in the Pauley Files of this proposal and of that in document No. 904 is headed, "Following Definitions Submitted by the Soviet Government to the Economic Sub-Committee July 21, 1945". A copy in Frankfurt USPolAd Files bears the following manuscript notation by Murphy: "Submitted by Maisky".

[No. 905]
No. 906

Proposal by the British Delegation 1

[BABELSBERG, July 21, 1945.]

RESTITUTION AND REPLACEMENT

In the view of the U. K. Delegation Restitution should be confined to the restoration of identifiable property existing at the date of the invasion of the territories from which the property had been removed, in so far as it can be recovered and irrespective of the form of dispossesssion by which it had come into enemy hands.

As regards replacement in kind, i.e. replacement of property, which cannot be traced or has been destroyed, by similar or comparable enemy property, this should only be permitted in the case of works of art; and only then provided such replacement did not take a form which would be contrary to the general interests of learning (e.g. the removal of a work of art from a place with which it was traditionally associated and where it was well presented, to some obscure and unsuitable surroundings). Other claims to replacement of unidentifiable and irrecoverable looted property should not receive any special priority but should be aggregated with all other claims for reparations.

1 The file copy bears the following manuscript notation by Mosely: “UK paper July 21, 1945.” A copy in Frankfurt USFolAd Files bears the following manuscript notation by Murphy: “Submitted by Sir Walter Monckton” (presumably in the Economic Subcommittee). In Murphy’s copy only the last fourteen words in the first paragraph are underscored.

No. 907

United States Delegation Working Paper 1

[BABELSBERG, July 22, 1945.]

RESTITUTION

1. Restitution shall be limited to the following categories as identifiable property, wherever found, if such property was removed from occupied territory by the enemy by whatever means:

a) Heavy industrial and agricultural equipment.
b) Machine tools and unique machinery.
c) Rolling stock and other railroad or transportation equipment.
d) Works of art, religious or cultural objects, libraries, scientific equipment, and other laboratory or research materials related to

1 The file copy bears the following manuscript notation by Mosely: “Collado July 22, 1945, Potsdam”.
organized inquiry into the arts and sciences. Provided, that with
respect to this category of property, lost or destroyed objects may be
replaced by similar or comparable enemy property. In passing upon
any claim for such replacement, the deciding authorities shall take
into account whether the transfer would conflict with the general
interest of science and the arts.

2. All questions of restitution shall be dealt with on behalf of the
injured property owners by the State of which they are citizens, unless
such State shall make other arrangements with the State from whose
territories the property was removed.

No. 908

740.00119 EW/7-2245

United States Delegation Working Paper ¹

[BABELSBERG, July 22, 1945.]

SUGGESTED POSITION ON ECONOMIC QUESTIONS RELATING TO
GERMANY, POLAND, AND REPARATIONS.

1. The Allied Commission on Reparations in Moscow has made
important progress, agreeing on a number of principles and providing
the basis on which other major issues can be settled at this conference.
With such decisions, the task of “reparations” becomes largely an
operating problem. The Commission has therefore completed its
work, and future operations fall within the competence of the Control
Council and the Zone Commanders. There shall be established a
committee of representatives of United Nations which participated
directly in the war to advise the Control Council on allocation among
claimants.

2. The agreed material on economic treatment of Germany and
reparations contained in the report of the Economic Sub-Committee ²
shall be approved.

3. A definition of restitution shall be adopted and representatives
of the Allied Nations shall be permitted to move freely about the four
zones and shall be given appropriate facilities to identify their property
falling within this definition.

4. No attempt shall be made to distinguish between “war booty”
and “reparations” as regards capital equipment within the 1937
German borders. The Control Council shall establish detailed
policies with respect to industrial disarmament and the kinds and
quantities of capital equipment which must be destroyed or removed
(Economic Principles #10 and 14a).³ Within the framework of such

¹ The file copy bears the following manuscript notation by Mosely: “Collado
July 22, 1945 Potsdam”.
² Documents Nos. 863 and 902.
³ See the attachment to document No. 863.

[No. 908]
policies, the Zone Commanders shall administer the removals of capital equipment from their respective zones.

5. In practice Soviet and Polish claims will be met from the eastern zone.

6. There is agreement in the Economic Sub-Committee that sufficient exports from Germany must be set aside to pay for necessary imports as well as to provide immediate means for reimbursement for all net advances made by the occupying powers for financing necessary imports into Germany.

Goods available from current production and stocks in hand for reparation deliveries shall be administered as set forth in 1, 4 and 5.

7. Arrangements shall be made for the exchange between areas occupied and administered by Poland and the rest of Germany of foodstuffs, coal, and other necessary products customarily provided from the eastern area for products of the other regions of Germany, in order that there may be achieved the objectives of Economic Principle #14, especially paragraphs (b) and (c).

No. 909

740.00119 (Potsdam) 7-3145

The Political Adviser to the Representative on the European Advisory Commission (Mosely) to the Assistant Secretary of State (Clayton) ¹

[BABELSBERG], July 22, 1945.

MEMORANDUM FOR MR. CLAYTON

Subject: Present Stage of Reparation Negotiations.

1. Need for a comprehensive program in the present stage of reparation negotiations.

We are now engaged in arguing abstract definitions and principles with the Soviet representatives. There is no prospect that the Soviet Government will accept our set of definitions ² and we cannot accept theirs.² To argue indefinitely abstract principles and to argue each principle in isolation from the practical effects of its application will get nowhere. The only way out seems to be to discuss the concrete applications of the principles. At this level of discussion it may be found that the respective approaches are not so far apart as they are at the theoretical or academic level.

2. Factors of disagreement.

If war booty can be defined in terms of quantity and a time-limit, the booty factor may be fitted into a general reparation settlement. For example, an agreed time-limit could be set, beyond which German

¹ Printed from a copy on which there are uncertified typed initials.
² See document No. 894, attachment 2.
³ See documents Nos. 904 and 905.
property not yet removed or ticketed for removal would cease to be classified as war booty and would revert to the German economy. If a time-limit is placed on its application, the abstract definition would not loom as large in practical importance as it does now. A second step would be to agree on a global estimate of war booty removed by each of the occupying armies. This estimate would have to be bargained over but could eventually be arrived at. A third step would be to determine the relation of war booty to once-and-for-all removals of capital goods on reparation account.

The definition of restitution presents fewer obstacles. The United States proposal is soundly based on considerations of equity and administrative convenience. The Soviet and British approaches, which are shared by the lesser Allies, have strong legal, psychological and political arguments in their favor. The Governments of the devastated countries cannot tell their own peoples that they have renounced the right to restitution. Agreement can be reached on restitution through broadening the American conception somewhat and limiting the British definition. While considerations of equity would be well served by deducting from the reparation total of the separate countries the amount of restitution received, the United States Government can agree to a separate accounting for restitution if the countries directly concerned prefer to see restitution handled in this way.

The extent of reparation derived from once-and-for-all deliveries of available goods and equipment will be greatly narrowed if removal of war booty can in practice be considered a charge against such removals.

One difficulty in arriving at an agreement on reparation out of current production lies in the form in which we have pressed the "first charge" principle in advance of discussing the total of reparation. It would be easier to arrive at an agreement that both commercial exports and deliveries on reparation should be based on an agreed plan covering exports and imports of all kinds. Soviet public opinion would receive with hostility a statement of reparation policy which in its form gave exports a primacy over reparations.

3. Economic Adjustments in Regard to the Polish-German Frontier.

If a definite sum can be stated as equivalent to the loss which will be imposed upon Germany's reparation-paying capacity by transfer of territory to Poland, the Russians would bargain hard but would probably end by accepting such a settlement. They would be suspicious of a percentage formula defining this loss as long as the total of reparation has not been agreed. They would probably approve

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4 See document No. 906.
a special commercial treaty between Poland and Germany by which
certain supplies would flow to Germany from the ceded areas in
return for industrial commodities which those areas and, to a large
extent, Poland itself formerly received from Germany. Here again
a definite and quantitative approach in terms of balanced exchanges
would be more readily negotiable than to seek agreement on an
abstract principle.

It is not feasible to make progress in the reparation negotiations
by arguing each part of the problem in isolation and in abstract terms.
The Russians have their own set of principles, based on intense popular
feeling and fresh experience. They define war booty widely because
their own country has only recently been plundered almost to the
last nail and thread and they interpret American and British reluctance
to see the same treatment meted out to Germany as evidence of greater
sympathy for the German people than for the Soviet people. It is
not wise to justify failure to agree on reparation mainly on grounds
of Soviet rejection of our definition of war booty. If we fail to agree
on the relation of war booty to reparation, it is better to be able to
report that failure came over the practical applications of the principle.

In order to negotiate a comprehensive reparation settlement it
is necessary to negotiate simultaneously on all factors involved rather
than to proceed by a step-by-step approach. Neither we nor the
Russians can agree on abstract statements of principle until we have
seen where the practical applications of the principles will lead us.
Among the factors which need to be reviewed simultaneously are
the following:

What is the time-limit beyond which unclaimed war booty reverts
to German economy?

What evaluation should be placed on war booty removed from Ger-
many, apart from commodities used by the armies in Germany?

What is the relation between war booty removals and once-and-
for-all removals of German equipment in the first phase of the
reparations plan?

What categories of looted property are particularly important in
applying the concept of restitution?

What forms of current reparations should be encouraged?

What share of Germany's reparation capacity will be lost through
cession of territory to Poland?

What should be the agreed total of reparations, and what deductions
should be made from it in order to take into account (a) war booty
removals; (b) detachment of reparation capacity through cession
of territory; and (c) removals on account of restitution?

P[HILIP] E. M[OSELY]
No. 910

Pauley Files

United States Delegation Working Paper

[BAELELSBERG,] July 22, 1945.

MEMORANDUM

The representatives of the U. S. S. R. have submitted the following definition of war booty or "war trophies":

"Under the 'war trophies' is understood:

1) All military supplies and equipment of Germany, including all supplies and military equipment, which belong, being used or have to be used by the military and paramilitary units of the enemy or by the members of these units;

2) All supplies and equipment used by the enemy to satisfy his military needs and captured by the Allies before the end of the war on territories where military operations were conducted."

The foregoing definition is accepted by the United States. Under this Soviet definition of war booty, little or nothing will remain for exaction as reparations from the U. S. Zone of Occupation. Therefore, for the present at least, the United States will proceed with operations in its Zone without regard to reparations as such.

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1 This paper is apparently an alternative to document No. 911. Authorship not indicated.
2 See document No. 904.

No. 911

Pauley Files

United States Delegation Working Paper

[Undated.]

MEMORANDUM

The U. S. S. R. has after considerable negotiations on a program of "reparations", presented the following definition of war booty or, as designated by the U. S. S. R. "war trophies":

"Under the 'war trophies' is understood:

1) All military supplies and equipment of Germany, including all supplies and military equipment, which belong, being used or have

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1 This paper is apparently an alternative to document No. 910. Authorship not indicated.
2 See document No. 904.

[No. 911]
to be used by the military and para military units of the enemy or by the members of these units;

2) All supplies and equipment used by the enemy to satisfy his military needs and captured by the Allies before the end of the war on territories where military operations were conducted.”

Since it is clear that under this conception of war booty by the U. S. S. R., any occupying Power can remove at its will practically everything in its own Zone as war booty, any attempt to deal with “reparations” on an overall basis for Germany becomes meaningless.

Under the circumstances, the United States accepts this position and will proceed, for the time being at least, to remove from its own Zone, for its own account or for the account of such other countries as it may determine upon, such plants, equipment and material as it desires to remove. It is assumed that the other occupying powers will do likewise.

No. 912

Department of the Army Files: Telegram

The Representative on the Allied Commission on Reparations (Pauley) to the Delegation to the Allied Commission on Reparations

TOP SECRET

[BAEBLSBERG], July 22 [21], 1945.

URGENT

VICTORY 190. Reference your cable of July 18.¹ (To Sproul from Deane from Pauley for Abramovitz and Bergson) Please send at once the following additional information one approximate estimate of value of industrial and mining output in Russian zone in 1938 two approximate estimated value of agricultural production in the same zone three approximate percentage that each of the above constitute of total pre-war German production four approximate percentage of total German industrial and mining production that came from area east of Oder Neisse river[s] in 1939. Above information needed urgently.

¹ Document No. 899.
PAULEY Files: Telegram

The Delegation to the Allied Commission on Reparations to the Representative on the Allied Commission on Reparations (Pauley) ¹

TOP SECRET

M 25084. CONFRESS 12 to Deane’s party Berlin for Pauley from Sproul, Abramovitz, Bergson and Rosenson TopSec.

Replying your July 21 cable: ²

1. Based on value added, the industrial and mining production in Russian zone was approximately 12 billion RM in 1938 or about 31 percent of total for old Reich.

2. Based on gross value produced, the agricultural production in Russian zone in 1938 is estimated roughly at 6.5 billion RM, or about 48 percent of total for old Reich.

3. Based on value added, the industrial and mining production in the area east of Oder Neisse River[s] in 1939 was about 7 percent of total for old Reich.

Figures for industrial and agricultural production in Russian zone do not include output in Russian sector of Berlin. In terms of value added, the production in Berlin as a whole was about 6 percent of total mining and manufacturing production in the old Reich before the war.

¹ Sent by the United States Military Mission, Moscow, via Army channels.

² Document No. 912.

BABELSBERG, July 23, 1945.


Please cable the following information in so far as it is available at once:

1. Estimate of approximate value of manufacturing and agricultural resources in (a) East Prussia and (b) that portion of East Prussia

¹ Sent to the Acting Secretary of State. The same message was sent as CONFREP 8 to the United States Military Mission, Moscow, marked "For Sproul for Bergson and Abramovitz from Pauley".

[No. 914]
north of an east–west line passing through Goldap and Braunsberg, which line is approximately 33 kilometers south of Koenigsberg.

2. Estimated annual value of industrial output for each of these areas.

3. Estimated annual value of agricultural output for each of these areas.

No. 915

Paulks Files

United States Delegation Working Paper

[Babelsberg], July 23, 1945.

MEMORANDUM ON REPARATIONS

It was agreed by the Three Governments at the Crimea Conference that Germany, when defeated, would be forced to make reparation and restitution for the burdens and losses imposed, particularly to the Allied Nations which have suffered most and have contributed most to the organization of victory.

In as much as the damage caused by Germany, and the suffering imposed by the ruthless German methods far exceed anything Germany can ever repay, it was agreed from the first that the exactions from Germany should be such as to take from Germany not only all industries and tools relating directly to war, but also all capital goods and current production down to that which is essential for maintaining in Germany a standard of living no higher than that of the neighboring Allied countries. Under this hard but fair policy the German people would be made to pay in goods, work and reduction of living standards, all that they can, over a limited period, even though this be far less than they owe the world.

In the course of the actual military operations, which required prolonged and vicious mechanized fighting, airbombing and artillery shelling throughout all of Germany, much was destroyed and, with full occupation by large military forces, not a little property was needed and taken by the armed forces directly for sustenance and as war booty.

These developments have changed the practical situation in a number of ways. Destruction has lessened what is left to take in reparations; similarly what has been taken as booty, or to support the armies of occupation, cannot be taken again as reparations. Under the formula of "maximum possible removals from Germany", whatever is destroyed, or used, or removed as booty, or in any other way, reduces pro tanto what is left to be taken as reparations.

1 This paper bears the manuscript notation "Gulick".
2 See document No. 1416, section v.
For this reason the definition of "war trophies" presented on July 21 by the U. S. S. R.\(^3\) as a statement of fact as well as a statement of future policy, calls for corresponding adjustments in the plans for reparations. If most removable capital goods and production are to be taken as "war trophies", clearly little remains as reparations. However the end result from the standpoint of exaction will be the same.

Under these circumstances it is clearly unnecessary to distinguish closely between what is taken as "war trophies" and what is taken as reparations. In the end they add up together to all that can be removed within the standards we have set.

Since the military commanders of the armies of occupation will in any case take charge of the extraction of war booty, the simple solution for the removal of reparations would seem to be to entrust this task also to the Zone Commanders, and to consolidate the two as "removals" rather than to attempt the meaningless task of segregation, separate administration and separate accounting.

The adoption of this simple and practical policy, apparently envisioned in the Soviet definition of "war trophies", appears also to conform to the requirements of rough justice, because the assets and productive capacity of the Zones into which Germany has been divided for purposes of military occupation and civil government during the occupation coincide roughly with the agreed division of reparations as between the chief Powers. For example, the U. S. S. R., which it was agreed by the Allied Commission on Reparations \(^4\) should receive 56% of the total, less an amount to be given up \textit{pro rata} to help meet the accepted claims of other nations, now occupies a Zone which will make possible the exaction of booty and other removals combined approximately equal to its expected receipts under the percentage formula.

The Government of the United States, though it would have preferred a more limited definition of "war booty", a correspondingly broader content of "reparations", and a more unified administration of removals of both from all of Germany, accepts the Soviet definition of "war trophies" for Germany, and the administration of removals for the present by Zones of occupation which is implicit in that definition.

In doing so it is understood that the claims of other nations will be dealt with as follows: Poland's share will be paid through the transfer of assets included within territories to be annexed to Poland, together with any further payments which the U. S. S. R. may desire to allot from its removals from the Soviet Zone of occupation. Recognizing that this will use up any excess credits from that Zone, all

\(^3\) Document No. 904.

\(^4\) See attachment 3 to document No. 894.
other claimants will look for reparations to the other three zones, namely those of the U. S., the U. K. and France. The United States is prepared to do its share in meeting the reparations claims of other nations and it is believed that the U. K. and France may be similarly depended upon.

In accordance with these considerations, the Government of the United States presents with this statement a revision of the plans already submitted to the Three Governments by the Allied Commission on Reparations, in the belief that this new draft 5 which rests upon the "principles" 6 and the "formula" 7 agreed by the Commission, and the prior decisions of the Crimea Conference, will meet the requirements of the situation in a practical way and commend itself to the Governments of the USSR and the U. K.

The plan as here presented disposes, for the time being at least, not only of the problem of "war trophies" and "reparations" but also of "interim reparations" and "restitution."

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5 Presumably document No. 916.
6 Attachment 1 to document No. 894.
7 Attachment 3 to document No. 894.

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No. 916

740.00119 Potsdam/7-2345

*United States Delegation Working Paper*

[BABELSBERG,] July 23, 1945.

**U. S. PROPOSAL ON REPARATIONS AND RELATED MATTERS**

In accordance with the recommendations of the Allied Commission on Reparations, the Governments of the United Kingdom, the United States and the Union of Soviet Socialist Republics have agreed on the following program for the exaction from Germany of reparations and other Allied levies:

a. Available reparations shall be divided among claimant nations to the extent that they have borne the burden of the war, have suffered losses, and organized victory over the enemy.

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1 Authorship not indicated.
2 An earlier draft of this working paper in the Pauley Files, dated July 22, is headed "Proposal on Reparations of the Government of the United States". The July 22 draft has the following opening paragraph:

"The Government of the United States proposes that the following agreement be announced concluding the negotiations of the Allied Commission on Reparations."

3 In the draft referred to in the preceding footnote, this paragraph ends as follows: "exaction of reparations from Germany."
b. Except as otherwise directed by the Allied Control Council each of the four Powers occupying Germany—the United Kingdom, the United States, the U. S. S. R. and France—may remove or permit to be removed from its zone of occupation capital equipment, current production, and stocks of goods either for its own account or for the account of any other United Nation.

c. In exacting removals for reparation and other Allied levies, the occupying Powers shall be governed by the following principles:

1. Removals of property shall be primarily such as to assist in bringing to an end the war-making power of Germany by eliminating that part of Germany’s industrial capacity which constitutes war potential.

2. Removals shall be such as will speed recovery and reconstruction in countries devastated at German hands.

3. Any program of removals shall be avoided which necessitates external financial assistance or which might, in the opinion of the Government concerned, prejudice the successful execution of the task entrusted to the Armies of Occupation.

4. To a maximum extent removals shall be taken from the existing national wealth of Germany.

5. In order to avoid building up German industrial capacity and disturbing the long term stability of the economies of the United Nations, recurrent removals in the form of manufactured products shall be restricted to a minimum.

6. In justice to the countries occupied by the enemy the amount of removals shall be calculated on the basis that the average living standards in Germany, during the reparations period, shall not exceed the average of the standards of living of all European countries with the exception of the U. K. and U. S. S. R.

7. After removals are effected enough resources must be left to enable the German people to subsist without external assistance. The necessary means must be set aside for payment for imports approved by the Government concerned before removals of current production and stocks of goods are made.


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4 The draft referred to in footnote 2, ante, has the following additional words at the end of this paragraph: “entitled to reparations”.

5 In the draft referred to in footnote 2, ante, this paragraph begins as follows: “In effecting removals for reparation and otherwise”.

6 Parten has changed one copy in the Pauly Files so that the last clause of this sentence reads: “before any removals are made.” A retyped version, also in the Pauly Files and dated July 23, marked “Office Copy Revised”, reads: “before any removals.” In the draft referred to in footnote 2, ante, the last sentence reads: “The necessary means must be provided for payment for imports approved by the Government concerned and before removals are made.”

7 The draft referred to in footnote 2, ante, reads “1952”.

[No. 916]
Removals as restitution shall be governed by the following:

1. Upon application by any Allied Government, restitution may be made of the following categories of property, wherever found, if such property is identifiable and was removed from occupied territory by the enemy by whatever means:

   (a) Heavy industrial and agricultural equipment.
   (b) Machine tools and unique machinery.
   (c) Rolling stock and other railroad or transportation equipment.
   (d) Works of art, religious, historical, educational, or cultural objects, libraries, scientific equipment, and other laboratory or research materials related to organized inquiry into the arts and sciences.

2. All questions of restitution shall be dealt with on behalf of the injured property owners by the Allied Nations of which they are citizens, unless such Allied Nation shall make other arrangements with the Allied Nation from whose territories the property was removed.

e. Appropriate steps shall be taken to exercise control and the power of disposition over German owned external assets.

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No. 917

Proposal by the British Delegation

A Tentative Suggestion for Amendments to the Proposals on Reparations of the Government of the United States

1. To be added after paragraph b:—

"Removals should be within the framework of a general programme approved by the Control Council. They shall not be such as would be incompatible with the production and maintenance of goods and services required to meet the needs of the Occupying Forces and to maintain in Germany the approved standards of living, including such exports as are required to pay for approved imports for the Occupying Forces and the population of Germany. Further removals should not be such as would be inconsistent with the treatment of Germany as a single economic unit."

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Printed from a carbon copy on which there is an uncertified typed signature. The amendments suggested in this paper appear to refer to a variant draft (not found) of document No. 916,
2. Amend the last words of paragraph b to read:—

“either to pay for necessary approved imports not otherwise paid for or after such payment for imports has been effected for its own account or for the reparation account of any other United Nation entitled to reparations.”

3. In paragraph d, after “scientific value of importance” add “monetary gold, valuables and securities”.

4. After paragraph e, add:—

“in cases where this power is not already exercised by any one of the United Nations”.

The paragraph is obviously not meant to refer to German property in the U. S. A., U. K., etc.

It might be settled in principle that at the same time as the Reparation Plan is settled, an agreement will be reached for the removal of a specific list of capital goods from the Western Zones to Russia and a specific list of goods currently produced and stocks of such goods from the Russian Zone to the Western Zones.

S. D. Waley

[BABELSBERG,] 23rd July, 1945.

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2 For the paragraph omitted here, see document No. 1045.

No. 918

740.0019 Potsdam/7-245

United States Delegation Working Paper

[BABELSBERG, July 23, 1945.]

MEMORANDUM

The question of the western boundaries of Poland has both political and economic aspects.

By agreement at Yalta,² the western boundaries of Poland can only finally be fixed in the peace settlement.

Meanwhile, the Poles, under the aegis of the Soviet Armies, have moved their western boundary to the Oder–Neisse line.³

The President has several times pointed out that this unilateral action introduces into Germany a fifth occupying nation, contrary to agreement.⁴

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¹ The source copy bears the following manuscript notation by Mosely: “Collado, note for Sec’y talk with Molotov July 23.” See ante, p. 274.
² See document No. 1417, section vi.
³ See the map facing p. 1152, post.
⁴ See ante, pp. 208, 251.
While continuing to maintain this position, we should attempt to reach agreement with the Soviets on the economic aspects of this matter.

Supply—Trade arrangements should be made for the exchange of substantial amounts of foodstuffs, coal, and other necessary products customarily provided by the Soviet Zone, including the area occupied by Poland, for products customarily supplied by the rest of Germany. While such production and interchange have been temporarily disrupted by war, much can now be speedily resumed.

Reparation, etc.—The Soviet Zone, including the area occupied by Poland, contains between 45 and 50 percent of the area and wealth of Germany. Soviet and Polish claims for reparation amount to about the same percentage of total claims. Soviet and Polish claims for reparation by removals of capital equipment (including “war booty or trophies”), current production, or stocks of goods should be met solely from the Soviet Zone. The claims of other nations should be met from the other zones.

A definition of restitution should be adopted and representatives of the Allied Nations should be permitted freely to move about the four zones and should be given appropriate facilities to identify their property falling within this definition.

No. 919

Pauley Files: Telegram

The Delegation to the Allied Commission on Reparations to the Representative on the Allied Commission on Reparations (Pauley) ¹

SECRET

URGENT

Moscow, 24 July 1945.

Deane’s party Berlin for Ambassador Pauley from Sproul, Bergson and Abramovitz signed Deane M 25095 (CONFMESS 14).

Reurtel CONFREP number 8, 23 July.² Under each head below, A refers to East Prussia; B refers to area north of Goldap–Braunsberg line. Memel and Sudauen are excluded throughout. All value figures are Reichsmarks and refer to 1938.

1. Total assets in manufacturing and mining, excluding land, mineral deposits and inventories: A equals 260,000,000, B equals 160,000,000.

2. Physically movable assets in manufacturing and mining: A equals 170,000,000, B equals 100,000,000.

¹ Sent by the United States Military Mission, Moscow, via Army channels. Cf. document No. 928.
² See document No. 914, footnote 1.
3. Based on value added the output of manufacturing and mining: A equals 380,000,000 or about 1% of total for old Reich, B equals 230,000,000.
4. Value of livestock and agricultural equipment: A equals about 1,000,000,000, B equals 350,000,000.
5. Based on gross value of production, output of agriculture in A equals about 1,000,000,000 or 7% of total for old Reich; B equals 350,000,000.

No. 920

740.00119 (Potsdam) 7-3145

Proposal by the Soviet Delegation
[Translation?]

TOP SECRET

[Undated.]

PLAN OF REPARATIONS FROM GERMANY

1. The total sum of Reparations 20 billion dollars which is accepted for consideration has to be covered approximately 50% by the way of once for all removals from the national wealth of Germany within two years after the capitulation and approximately 50% by the way of the annual deliveries in kind within 10 years after the capitulation.

2. The once for all removals from the national wealth of Germany are to be exacted from the following branches of her economic life:

<table>
<thead>
<tr>
<th>Billion dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. War and chemical industries (aircraft production, tank production, naval shipbuilding, arms and ammunition production, production of powder and explosives, synthetic rubber and fuel, artificial fibre, cellulose, Koke-Chemie)</td>
</tr>
<tr>
<td>2. Iron and steel, non-ferrous metals, engineering (including electrical industry), coal, power stations</td>
</tr>
<tr>
<td>3. Building industry, textiles, food industry, printing, transport (including water transport), communications (radio, telephone, telegraph), equipment of ports, warehouses, etc.</td>
</tr>
<tr>
<td>4. Foreign investments and claims of Germany</td>
</tr>
<tr>
<td>5. Shares of German enterprises (railways, ports, canals, etc.), foreign currency, precious metals</td>
</tr>
<tr>
<td>6. Miscellaneous</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

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1 Although another copy of this proposal (file No. 740.00119 Potsdam/8–2415) is headed, "Soviet Plan of Reparations From Germany—July 24, 1945", this is apparently the paper circulated at the Sixth Meeting of the Foreign Ministers, July 23. See ante, p. 277.

[No. 920]
For the purpose of removals German property situated on the territory of Germany in 1937 frontiers as well as German property abroad.

3. To fix the following approximate list of goods with which the postwar Germany has to pay her annual deliveries in kind:

<table>
<thead>
<tr>
<th>Coal, bricks</th>
<th>Sugar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chemicals (drugs, dyes, potassium etc.)</td>
<td>Cattle, agricultural products</td>
</tr>
<tr>
<td>Machinery, tools</td>
<td>Ceramics</td>
</tr>
<tr>
<td>Cement, building materials</td>
<td>Medical instruments</td>
</tr>
<tr>
<td>Timber, paper</td>
<td>Optical apparatus</td>
</tr>
<tr>
<td></td>
<td>River shipbuilding</td>
</tr>
</tbody>
</table>

4. To fix the total sum of annual deliveries in kind [at] 1 billion dollars per annum or 10 billion dollars in 10 years. To ask Allied Commission on Reparations to make more detailed calculations concerning these deliveries.

5. The basis of calculations are prices of 1938 plus 15% on equipment and 10% on raw materials and finished goods.

6. The rate of exchange: 1 dollar equals 3.5 marks.

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No. 921

740.00119 Potsdam/8-1945

Proposal by the Soviet Delegation

[Translation?]

SECRET

[Undated.]

ON ADVANCE DELIVERIES FROM GERMANY

1. Pending the establishment of a permanent allied reparation agency, advance deliveries (removals) should be based upon the urgency of need of suffered Nations [nations which have suffered?] for rehabilitation purposes and should be made as advance deliveries with subsequent accounting of these deliveries as reparations or restitution, or for purchase account of the recipient nations.

2. With respect to advance deliveries of capital goods to all United Nations, the following procedure should be adopted:

   a. Immediate establishment of a sub-committee of the Allied Commission on Reparations to be situated in Berlin, and to be composed of representatives of the nations participating in the Allied Commission on Reparations. This sub-committee should keep in constant con-

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1 Although another copy of this proposal (file No. 740.00119 Potsdam/8-245) is headed, "Soviet Proposal on Advance Deliveries From Germany—July 24, 1945", this is apparently the paper circulated at the Sixth Meeting of the Foreign Ministers, July 23. See ante, p. 277.
sultation with the Control Council and should keep the Control Council informed of all its activities.

b. The Allied Commission on Reparations will transmit to its sub-commission a list of industries from which advance deliveries of equipment will be allowed.

c. Advance deliveries (removals) of capital equipment from those industries up to an agreed percentage of the movable assets, expressed in physical terms, may be made upon the approval or recommendation of the sub-commission. Shipping documents covering such advance deliveries (removals) shall include notification to the receiving country that in the final accounting such deliveries (removals) may be deemed by the Allied Commission on Reparations to be on account of reparations or restitution.

d. Each of the occupying powers may remove or permit to be removed from its zone of occupation plant and equipment from any industries in such list, subject to the following conditions:

(1) With respect to any removal by an occupying power for its own account, the respective zone commander shall notify the sub-commission of the contemplated removal, giving the sub-commission an opportunity to enter such removal in the plan of advance deliveries.

(2) With respect to any removal from the zone of one occupying power for the account of another United Nation (whether or not such United Nation be an occupying power) such removal shall only be permitted upon the approval or recommendation of the sub-commission.

3. With respect to advance deliveries to all United Nations of raw materials out of current production or inventories, such deliveries may be made upon the approval or recommendation of the sub-commission on the basis of the need of the claimants after due regard to the supplies available and the requirements of the occupation forces. Shipping documents covering such advance deliveries shall include notification to the receiving country that in the final accounting such deliveries may be deemed by the Allied Commission on Reparations to be on (1) export account to be paid for in acceptable currencies, (2) reparation, or (3) restitution.

4. Adequate and uniform accounting controls shall be instituted with respect to all deliveries effected under the above proposed plan.

5. Claimant nations should be notified of the establishment of the foregoing procedures for effecting urgently needed advance deliveries.

6. It shall be mutually agreed that each of the occupying powers shall submit, within six months of the date hereof, a statement of all property removed from Germany after the termination of war with Germany.

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2 There is the following manuscript interpolation at this point on one copy found: "no veto".

[No. 921]
Draft of Report by the Economic Subcommittee

[Undated.]

REPORT OF THE ECONOMIC SUB-COMMITTEE

Having failed to reach an agreement on certain basic principles of a reparations plan, the Economic Sub-Committee reports to the Council of Ministers that there seems to be no possibility of Agreement upon these basic issues heretofore reported to the Council. Of course, the Economic Sub-Committee will continue its discussions if such be the desire of the Council of Ministers.

No. 923

740.00119 (Potsdam)/7-3145

Report by the Economic Subcommittee

[Extract¹]

TOP SECRET

[BABELSBERG, July 24, 1945.²]

SECOND REPORT OF THE ECONOMIC SUB-COMMITTEE TO THE FOREIGN MINISTERS

1. The Economic Sub-Committee regrets to have to report that after extensive discussions of the problems of German, Austrian, and Italian reparations, it has failed to come to agreement and consequently must refer these matters back to the Foreign Ministers for decision.

2. The Sub-Committee has recognized the liability of Germany, Austria, and Italy to exactions on account of reparations.

3. With respect to Germany, the Sub-Committee is in agreement that substantial reparations should be made. The Sub-Committee has been unable, however, to agree on the method for carrying out a program of such reparations.

¹ For the other sections of this report, see documents Nos. 766 and 1322.
² So dated in the "Index of Attachments to Summary of the Negotiations in the Economic Sub-Committee" (file No. 740.00119 (Potsdam)/7-3145).
GERMANY

No. 924

Frankfurt USPOLAD Files—S-00 Potsdam Conference

The Adviser on German Economic Affairs (Despres) to the Assistant Secretary of State (Clayton) ¹

Potsdam, July 24, 1945.

MEMORANDUM TO MR. CLAYTON

Subject: Reparations.

In the event that an agreement is reached with the Russians whereby, in addition to having a free hand to carry out removals in their zone, they will be granted the right to remove a specified amount of capital equipment from the Ruhr or the Western Zones generally, there are certain safeguards regarding Allied property in the Eastern Zone upon which we should insist.

1. Restitution. Identifiable property removed by the Germans from occupied countries should be returned to the governments of the owners. Facilities should be granted to the representatives of Allied Governments to permit the locating and identification of such property.

2. Allied-owned property and investments in Germany. Allied property in Germany should not be removed without the consent of the owners' government, and suitable provisions should be made for fair compensation.

E[mile] D[espres]

¹ Printed from a carbon copy on which there are uncertified typed initials.

No. 925

TOP SECRET

U. S. Position on Reparations—Final Pauley Version—Submitted to Economic Sub-Committee of [on?] July 24 [25?], 1945

UNITED STATES POSITION ON REPARATIONS ¹

The United States submits the attached plan for the execution [exaction?] of reparations from Germany, in the belief that it will meet the requirements of the situation in a practical way and commend

¹ Another copy of the first section of this paper is dated July 23. Still another (which has the word “exaction” in the first sentence) is dated July 25 and bears the following manuscript notation by Clayton: “Pauley memo, from which he read at meeting of subcommittee 7/25”. See post, p. 944.
itself to the governments of the United Kingdom and the Soviet Union.

This program for "removals" would be administered by the established machinery for the government of Germany, and would be carried out in accordance with the applicable political and economic policies which we are adopting. This plan amounts in effect to an interim program and does not preclude a coordinated administration of Germany. It permits immediate removals, and at the same time is not inconsistent with such overall economic policies as the Zone Commanders, working through the Allied Control Council, may determine.

It is proposed that this program be recommended by the Allied Commission on Reparations and adopted by our Governments. Implementing this program, industrial equipment, with emphasis on steel capacity, would be made available to the Soviet Union from the Ruhr area at the same time that agricultural products and raw materials, including liquid and solid fuels, timber and potash are made available for western Europe (including the western zones of Germany) from Eastern Europe (including the Eastern zone of pre-war Germany). The basis for such an exchange will be worked out between the governments concerned.

U. S. PROPOSAL ON REPARATIONS AND RELATED MATTERS

In accordance with the recommendations of the Allied Commission on Reparations, the Governments of the United Kingdom, the United States and the Union of Soviet Socialist Republics have agreed on the following program for the exaction from Germany of reparations and other Allied levies:

a. Available reparations shall be divided among claimant nations to the extent that they have borne the burden of the war, have suffered losses, and organized victory over the enemy.

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2 A variant of the first section of this paper, dated July 25, found in the Pauley Files, is identical with the proposal here printed down to this point. It concludes, however, as follows:

"Thereupon a special commission would be set up in Germany to work out, in consultation with the Control Council, the practical problems which will arise in the implementation of its program. In particular, this special commission would determine the extent to which industrial equipment in the Ruhr, the industrial heart of the western zones of Germany, can be made available to the Soviet Union at the same time that agricultural products and raw materials, including liquid and solid fuels, timber and potash, are made available for western Europe (including the western zones of Germany) from Eastern Europe (including the Eastern zone of pre-war Germany).

"This special commission will take in its initial studies as a basis for discussions the suggestion that 25% of the equipment which is removed from the metallurgical, chemical, and electrical industries in the Ruhr be made available to the Soviet Union in exchange for agricultural and other products for Western Europe."

3 Copy in the Pauley Files of the second section of this paper is dated July 26.
b. Except as otherwise directed by the Allied Control Council each of the Four Powers occupying Germany—the United Kingdom, the United States, the U. S. S. R. and France—may remove or permit to be removed from its zone of occupation capital equipment, current production, and stocks of goods either to pay for necessary approved imports not otherwise paid for or after such payment for imports has been effected for its own account or for the reparation account of any other United Nation entitled to reparations. Removals shall not be such as would be incompatible with the production and maintenance of goods and services required to meet the needs of the occupying forces and to maintain in Germany the approved standards of living, including such exports as are required to pay for approved imports for the occupying forces and the population of Germany. Removals should not be such as would be inconsistent with the treatment of Germany as a single economic unit.

c. In exacting removals for reparation and other Allied levies, the occupying Powers shall be governed by the following principles:

1. Removals of property shall be primarily such as to assist in bringing to an end the war-making power of Germany by eliminating that part of Germany’s industrial capacity which constitutes war potential.

2. Removals shall be such as will speed recovery and reconstruction in countries devastated at German hands.

3. Any program of removals shall be avoided which necessitates external financial assistance or which might, in the opinion of the Government concerned, prejudice the successful execution of the task entrusted to the Armies of Occupation.

4. To a maximum extent removals shall be taken from the existing national wealth of Germany.

5. In order to avoid building up German industrial capacity and disturbing the long term stability of the economies of the United Nations, recurrent removals in the form of manufactured products shall be restricted to a minimum.

6. In justice to the countries occupied by the enemy the amount of removals shall be calculated on the basis that the average living standards in Germany, during the reparations period, shall not exceed the average of the standards of living of all European countries with the exception of the U. K. and U. S. S. R.

7. After removals are effected enough resources must be left to enable the German people to subsist without external assistance. The necessary means must be set aside for payment for imports approved by the Government concerned before any removals.


Proposal by the United States Delegation

[BABELSBERG,] July 25, 1945.

Removals from Germany of Properties of United Nations or Neutral Nationals

Memorandum of United States Delegation

It is proposed that:

1) Ownership by United Nations or neutral nationals should not impede a program of removals.

2) United Nations nationals should be invited to submit statements covering the nature and extent of their property in Germany to the ACC. The ACC should have facilities and free access to such properties for the purpose of investigating claims and appraising properties.

3) Removals of United Nations properties should be made on condition that the United Nations nationals retain their ownership interests in the moved properties, except that, where retention of ownership is not practicable, Reichsmark accounts should be set up, on the basis of ACC valuations, to cover the value of the properties. Arrangements should then be made, prior to removal, to have the receiving country liquidate these accounts in acceptable foreign exchange in payments amortized over a short period of years.

4) Neutral nationals or their governments should be permitted to file with the ACC statements covering the nature and extent of the properties in Germany of neutral nationals. Reichsmarks to the extent of valuations made by the ACC should be deposited to the account of such neutral owners by way of compensation.

1 Although this proposal was circulated to the British and Soviet Delegations, it was apparently never discussed and was withdrawn by Byrnes on August 1. See ante, p. 546.

No. 927

The Chief of the Division of Economic Security Controls (Rubin) to the Acting Chief of the Division of Economic Security Controls (Oliver) 1

[Extract]

TOP SECRET

[BABELSBERG, July 25, 1945.]

Next, as to reparations: The discussions in Moscow did not advance the cause a great deal. There was agreement on certain basic

1 Printed from a carbon copy of an extract.
principles—that Germany was to be treated as an economic unit, that removals should be primarily for the purpose of destroying German war capacity, that reparation should be used to build up Europe, that reparation should to a maximum extent be taken from existing capital wealth of Germany, that in order to avoid building up Germany long-run manufactured goods reparations should be kept to a minimum, that the German standard of living should not exceed that of Europe as an average, excluding USSR and UK, and (on this the Russians I think did not agree) that essential imports into Germany should be a first charge on German exports.\(^2\) However, there was no discussion—the Russians holding back—of definitions of war booty or restitution. When the boys arrived here, they got reparation put on the agenda—where it had not been—and they got the economic subcommittee to adopt their reparation principles—the Russians still excepting on the ground noted above. Then, however, the Russians threw in a definition of war booty—or war trophies as they call it.\(^3\)—which included everything. . . .

The outcome of that was a general scrapping of what had gone before, and the drafting of a memo proposing that Russia compensate itself and Poland out of the Russian zone, leaving the rest of us to compensate the rest of the reparation claimants out of our zones.\(^4\) This was supposed to figure out approximately to the percentages which had been agreed to in Moscow—56\% for USSR, 22\% each for the UK and US, each to cut its share in proportion as other countries were cut in. It was argued that the Russian zone contained about 50\% of the reparation material in Germany, and that this sort of deal would work out equitably. Also, it was argued that maybe this sort of thing was best after all—given a situation in which it was doubtful whether we could actually pull together in governing Germany and dividing up reparation items in each other’s zones. It was pointed out that the Russians had refused to agree that Allied representatives could freely circulate in their zone, and that the other type of overall plan made for friction in the future. Could be.

The plan outlined above was presented, orally, to the Russians yesterday.\(^5\) At the same time, I understand that we stated we wouldn’t consider their 20 billion plan\(^6\) (now presented for the first time, though promised for weeks) on the ground that their war-booty definition outmoded it. It was then indicated that maybe the USSR would discuss our plan, if, in addition, they could get 2 billion

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\(^2\) See vol. 1, documents Nos. 367 and 375.
\(^3\) See document No. 904.
\(^4\) See document No. 916 and later drafts thereof.
\(^5\) See document No. 925.
\(^6\) Document No. 926.
dollars worth out of the Ruhr. They said that their zone had mostly light industries and agriculture, and that what they needed was heavy industry. We, I understand, said that we'd be glad to give them things from the Ruhr; but that we'd do it in exchange for other things—mostly food, potash and lumber—from their area. A compromise proposal was that we give them part of the 2 billion as reparation and that the rest should be traded; but I think that Pauley has said that he wants to work out the trade deal first. On the other hand, as of this afternoon, the Russians had said that we couldn't get anywhere on that sort of basis—that we had to agree first on reparation and give them at least a percentage figure on what they'd get from the Ruhr before we could come to the trade questions. (I forgot to say that Clayton tossed out, for tentative consideration and not as a fixed formula or plan, the suggestion that 50% of Ruhr 1938 capacity should remain there, the rest (believed to be more than 50% of 1938 capacity because of construction in excess of bomb damage) should be available as reparation removals, and that half of this might go to Russia—but without saying whether on trade or straight reparation). Result so far—disagreement. But another meeting is going on now—it now being slightly past midnight.

No. 928

Pauley Files: Telegram

The Delegation to the Allied Commission on Reparations to the Representative on the Allied Commission on Reparations (Pauley)\(^1\)

SECRET

Moscow, 25 July 1945.

URGENT

To Deane's party Berlin for Ambassador Pauley from Sproul, Abramovitz and Bergson signed Deane M 25102.

Following correction of paragraphs (4) and (5) of CONFMESS 14 of 24 July.\(^2\)

(4) Value of livestock and agricultural equipment: A equals 1,250 million, B equals 435 million.

(5) Based on gross value of production, output of agriculture in A equals 1,200 million, or about 9 per cent of total for old Reich; B equals 425 million.

New subject. CONFMESS 14 re Alexander should be 15.\(^3\) This CONFMESS 16.

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\(^1\) Sent by the United States Military Mission, Moscow, via Army channels.

\(^2\) Document No. 919.

\(^3\) Not printed.
No. 929

Pauley Files

The Representative on the Allied Commission on Reparations (Pauley) to the President


My Dear Mr. President: The other day I gave you very briefly a verbal statement concerning several observations by my staff of machine tool shipments from the Berlin area.

I am sending herewith a copy of the report turned in to me by Dr. Luther Gulick, and J. Howard Marshall, the General Counsel of our Delegation.

Respectfully,

Edwin W. Pauley

[Enclosure 2]

TOP SECRET


Russian Machinery Removals From Berlin

Area Covered

On July 22 and 23, Howard Marshall and Luther Gulick went by Command Car over the following area:


July 23[.]: Same route, except that we went NE as far as Hönower and omitted Potsdam returning.

Chief Points of Interest

The purpose of the first trip was to observe rail and canal marshaling yards. Those observed included the Steglitz — Schöneberg yards, Gorkitzer Station, the Spree Docks, the Slaughter Houses and yards of the Schlesischer Station. The second trip included industrial plants in Sieminsstadt such as the “AEG” (General Electric), various smaller paint, petroleum, printing, machine tool, and accumulator and two large power plants.

Observations

The railroad yards communicating south and SE are virtually bare. They have one or two lines in operation. The warehouses are not restored. In contrast the railroads communicating toward the East are extensively restored, and 4 to 8 lines are in operation, except where

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1 Printed from a carbon copy on which there is an uncertified typed signature.
2 Printed from the ribbon copy in the Truman Papers.

[No. 929]
there are but 4 lines, in which case all are in use. Warehouses on these lines have been patched up, and loading platforms are well filled with boxes, crates, sacks, bales, drums, boilers, partially covered machine tools and large pieces of machinery most of which have been partially protected against the elements. Swarms of workmen, mostly men in Russian Army uniforms are at work moving, stacking and loading this material on flat cars, though the supply seems pretty well back [backed?] up. A few short trainloads were moving out of the City.

The great warehouses and loading docks on the North side of the Spree, in Horst Wessel, are teeming with activity. The available space, which is 1.4 mile long by 400 to 800 feet in width, including the buildings which may occupy ¾ of the area, is completely filled with machine tools, electrical equipment, stamping mills, wood-working machinery, printing presses, pressure vessels, and other industrial and chemical equipment.

A notable feature of the machinery accumulation here was the section devoted to wood-working equipment. This included band and circular saws, lathes and other turning equipment equipped with sawdust blowers, molding machines, etc.

Much of the machinery is the unit electrical drive type. The motors and bright parts are wrapped in oil paper and tarpaulins. There are some large piles of rough lumber which is being used for crating. There was notable progress in crating in the 24 hours which elapsed between our first and second visits. The larger pieces of machinery are being housed on the freight cars.

The Spree docks are equipped with about six cranes of 25 ton capacity (25,000 kilos) and two of 100 ton capacity. We were not certain that all were in operation, though they did not seem to be damaged.

The Spree dock warehouses were perhaps 50% destroyed. They seem to be in use for the storage of small boxes and bales. Trucks of merchandise were coming and going.

Wherever the surrounding wall permitted a view of what was going on, wistful and quiet Germans were peering into the busy, guarded, dock area. Some German civilians were at work inside, but most of the labor was being performed by Russian soldiers.

At the slaughterhouse area, covering some 300 acres, about half the buildings, which are mostly one and two story structures, have been given patched emergency roofs. Wherever one can see in, these buildings are filled with boxes, bales, rolls of paper, crates, etc. We found a former overhead enclosed foot-way of cement, steel and
glass which apparently cut over the slaughterhouse and marshalling yards for the convenience of pedestrians. It ran for some 500 to 600 feet over the roofs of the warehouses at which point it was bombed out, giving us an excellent view of what was going on. Trucks were bringing in boxes and bales for storage. In one area-way there were about 500 identical individual drive vertical drills, each carefully wrapped as to motor and [d]rill head with oil paper. These were specially guarded, though the entire enclosure was also under guard. Near by two 6 ton trucks were being loaded with bales of clothing or rags from one of the warehouses. These appeared to be old uniforms, though it was difficult to be certain at the distance. The Russian guards ordered us to keep moving. At the first sign from the guard, a rather lethargic middle aged German who we found on the foot-way, ducked spryly behind the concrete ballustrade!

We found great activity also at the freight loading platforms of the Schlesischer Railroad Station. On one platform we saw 200 to 300 machine tools, new-looking as to paint, and partly wrapped, awaiting loading. There were but four flat cars standing by. Loading was being done laboriously by hand.

The trip toward Hönow took us past many big and little plants. The first was the great city power plant, which was in operation and seemed very little damaged. Coal for the plant was coming in by barge. A second, and smaller power plant further out was not in operation.

The great AEG electrical plant at Siemnensstadt, which is less than 10% damaged, has been stripped of all machinery on the first and second floor, except for a few very large, semi-built-in pieces. We could not see what the situation is on the three upper floors. The street along which the siding comes into the plant is blocked off for some two blocks and guarded. It is full of small lathes, winding equipment and other machinery all of which is being wrapped in oil paper or crated.

A loaded train of flat cars was standing in the street. This was filled with very large pieces of electrical and forging or pressing equipment. We recognized the core of a dynamo, a 12' fly wheel in two parts, a dis-assembled turbine, and other similar equipment. Across the street at the "Accumulator Fabrik", newly crated machinery was being loaded into trucks with a medium sized industrial crane and a swarm of workers. While we passed "AEG" a wagon load of good-looking office furniture was driven out of the main gateway from the administration building.

[No. 929]
We looked over the fence into the plant of a manufacturer advertised as “printing machinery”. The first floor was bare, though the building was in fair condition. Half way down the block was a large automatic roller press lying where it had apparently fallen from some truck. Paint and shiny parts were in good condition.

A “machine tool plant” which had lost most of its windows which we passed on the road back to the City was similarly bare, though we could see overhead pulleys and shafting still in place. There were no tools on the first floor. The neighboring varnish and paint works was 80% burned out. Nothing had been removed as far as we could see, though the property was fenced off.

We made no systematic effort to talk to Germans about the streets. Those whom we did address replied very respectfully. They said “everything is being taken”, “we don’t know where it is going.”

Tentative Conclusions

1. All types of plants are being regarded as “war booty” and the moveable equipment in them, including built-in boilers and pressure and other vessels are being dis-assembled and taken out.

2. Wood-working, printing, and other non-war-potential machinery is being taken.

3. Some care is being taken to protect the machinery from the elements, though there was no evidence that the running parts were being greased or oiled. The wrapping and crating is not adequate to protect the equipment for any period of time outdoors. It is very temporary protection.

4. When machinery is removed, everything in the plant is taken with it. The process is wholesale, not retail.

5. Very great progress has been made in the removal of machinery in the Berlin area. The work is highly organized and is proceeding with despatch.

6. Shipment out of Berlin is going forward both by rail and by barge. However, large amounts of wrapped or crated machinery is backed up at points of shipment awaiting loading.

7. The Russians at work taking, crating, moving, and guarding the equipment seem to enjoy their work.

Lucien [Luther] Gulick ³
J. Howard Marshall

³ The original bears only typed signatures.
The Representative on the Allied Commission on Reparations (Pauley) to the Assistant Secretary of State (Clayton)\(^1\)

[BABELSBERG,] July 25, 1945.

Dear Mr. Clayton: Attached are estimates of both ourselves and the Soviet Union on the comparative percentage of wealth in the Soviet occupied zone. In view of our present discussions I am sure they will be of interest to you.

Very truly yours,

Edwin W. Pauley

[Attachment 1]

[BABELSBERG,] July 25, 1945.

Estimated Wealth in U. S. S. R. Zone of Occupation

1937 Boundaries

<table>
<thead>
<tr>
<th></th>
<th>U. S. Estimate</th>
<th>U. S. S. R. Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry &amp; Mining</td>
<td>39.3</td>
<td>35.3</td>
</tr>
<tr>
<td>Agriculture</td>
<td>48.0</td>
<td>48.0</td>
</tr>
<tr>
<td></td>
<td>87.3</td>
<td>83.3</td>
</tr>
<tr>
<td>Increase in industry due to removals into Eastern areas during war</td>
<td>5.0</td>
<td>3.0</td>
</tr>
<tr>
<td></td>
<td>92.3</td>
<td>86.3</td>
</tr>
<tr>
<td>*Average</td>
<td>46.1</td>
<td>40.9</td>
</tr>
<tr>
<td>Add 3 percent as value of land ceded to USSR</td>
<td>3.0</td>
<td>0.0</td>
</tr>
<tr>
<td></td>
<td>49.1</td>
<td>40.9</td>
</tr>
</tbody>
</table>

\(^1\) Printed from the ribbon copy, which bears only a typed signature.

*U. S. weights agriculture and industry as equal in importance. U. S. S. R. weights industry as three times as important as agriculture. [Footnote in the original.]


<table>
<thead>
<tr>
<th></th>
<th>Per Cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Manufacturing</td>
<td>40.0</td>
</tr>
<tr>
<td>Non-ferrous metals</td>
<td>40.7</td>
</tr>
<tr>
<td>Machinery</td>
<td>42.1</td>
</tr>
<tr>
<td>Electrical engineering</td>
<td>61.5</td>
</tr>
<tr>
<td>Precision and optical instruments</td>
<td>50.9</td>
</tr>
<tr>
<td>Non-ferrous metal products</td>
<td>44.5</td>
</tr>
<tr>
<td>Ceramics and glass</td>
<td>49.5</td>
</tr>
<tr>
<td>Saw mills</td>
<td>42.0</td>
</tr>
<tr>
<td>Wood processing</td>
<td>46.6</td>
</tr>
<tr>
<td>Paper and wood pulp</td>
<td>52.3</td>
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<tr>
<td>Printing</td>
<td>50.8</td>
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<tr>
<td>Textiles</td>
<td>44.4</td>
</tr>
<tr>
<td>Apparel</td>
<td>61.3</td>
</tr>
<tr>
<td>Liquor</td>
<td>50.7</td>
</tr>
<tr>
<td>Utilities</td>
<td>44.2</td>
</tr>
<tr>
<td>Building and miscellaneous</td>
<td>46.4</td>
</tr>
<tr>
<td>Mining</td>
<td>29.8</td>
</tr>
</tbody>
</table>

All Industrial Production (Manufacturing and mining) .................................. 39.3


Note: The only administrative units which overlap zone boundaries are Brunswick, Bremen, Anhalt and Schaumburg-Lippe. Detailed statistics for industrial employment showed that 78 percent of the industrial employment in these areas was in territory now in the Soviet-occupied zone. Accordingly, 78 per cent of the industrial production of these areas was assumed to fall in this zone.
**United States Delegation Working Paper**

**Assets 1936**

_excluding_ ocean shipping

<table>
<thead>
<tr>
<th></th>
<th>East (excl. Berlin)</th>
<th>East of O/N²</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Bill RM³</td>
<td>% of Reich</td>
</tr>
<tr>
<td><strong>Total (other than land &amp; resources)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td>5.3 28.9</td>
<td>1.1 6</td>
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<tr>
<td>Mining</td>
<td>0.5</td>
<td>0.2</td>
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<td>Railroads</td>
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<tr>
<td>Motor Vehicles</td>
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<tr>
<td>Inland Shipping</td>
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<tr>
<td>Electric Power</td>
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<tr>
<td>Livestock</td>
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<td>Agricultural Machinery</td>
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</tr>
<tr>
<td>Miscellaneous Manufacturing &amp; Construction</td>
<td>0.5</td>
<td></td>
</tr>
</tbody>
</table>

_Movable_

|                          |                      |             |             |           |
| Manuf[acturing]          | 3.6 29.6            | 0.7 5.5     |
| Mining                   | 0.3                 | 0.1         |
| Railroads                | 1.4                 |              | 1           |
| Motor Vehicles           | 0.6                 |              |             |           |
| Inland Shipping          | 0.1                 |              |             |           |
| Electric Power           |                    |              | 1           |
| Livestock                | 4.5                 |              |             |           |
| Agricultural Machinery   | 2.3                 |              |             |           |
| Miscellaneous Mfg. & Constr. | 0.4 | |           |           |

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1 An undated manuscript working paper. Authorship not indicated.
2 i.e., the Oder–Neisse Line. Whether the Eastern or Western Neisse is not specified.
3 Billions of Reichsmarks.
### Eastern Zone (excl. Berlin) vs E of O/N Line

<table>
<thead>
<tr>
<th>Value Added</th>
<th>Absolute</th>
<th>All Reich %</th>
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<tr>
<td>Population (17 May 1939)</td>
<td>24.6</td>
<td>35.4</td>
</tr>
<tr>
<td>&quot;(1938) mill.&quot;</td>
<td>[blank]</td>
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<tr>
<td>Value Added</td>
<td>30.6</td>
<td></td>
</tr>
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</table>

### Value Added in Mining and Manufacturing

**mill. RM.**

<table>
<thead>
<tr>
<th></th>
<th>(1) East of O/N 1936</th>
<th>(2) Total Reich 1936</th>
<th>% (1) of (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) East of O/N 1936</td>
<td>2382</td>
<td></td>
<td>7%</td>
</tr>
<tr>
<td>(2) Total Reich 1936</td>
<td>34185</td>
<td></td>
<td></td>
</tr>
<tr>
<td>% change in &quot;total 1936 and 1938&quot;</td>
<td>+26%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E of O/N 1938</td>
<td>2800</td>
<td>(1938 prices)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>% E.</th>
<th>V.A. (Prov. Total)</th>
<th>V. A. E of O/N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pommern</td>
<td>75</td>
<td>392</td>
<td>294</td>
</tr>
<tr>
<td>Brandenburg</td>
<td>33</td>
<td>1175</td>
<td>398</td>
</tr>
<tr>
<td>Nieder Schlesien</td>
<td>90</td>
<td>987</td>
<td>890</td>
</tr>
<tr>
<td>Oberschlesien</td>
<td>100</td>
<td>450</td>
<td>450</td>
</tr>
<tr>
<td>Ostpreussen</td>
<td>100</td>
<td>350</td>
<td>350</td>
</tr>
</tbody>
</table>

3,074,000,000

---

4 Presumably percent east of the Oder-Neisse Line.
5 Presumably Value Added (Province Total).
### Total Assets (1936)

<table>
<thead>
<tr>
<th>Sector</th>
<th>East (Excl. Berlin.)</th>
<th>E of O/N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>5.3</td>
<td>1.1</td>
</tr>
<tr>
<td>Mining</td>
<td>.5</td>
<td>.2</td>
</tr>
<tr>
<td>Electric Power</td>
<td>—</td>
<td>.3</td>
</tr>
<tr>
<td>Misc. Manuf.</td>
<td>.5</td>
<td>.2</td>
</tr>
<tr>
<td>Other</td>
<td>13.8</td>
<td>5.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>20.1</td>
<td>7.1</td>
</tr>
</tbody>
</table>

**Growth 1937, 1928 [1938]**

<table>
<thead>
<tr>
<th>Sector</th>
<th><strong>2.6</strong></th>
</tr>
</thead>
</table>

**Total 1938**

**Movable.**

<table>
<thead>
<tr>
<th>Sector</th>
<th><strong>3.6</strong></th>
<th>.7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining</td>
<td>.3</td>
<td>.1</td>
</tr>
<tr>
<td>Elec. Power</td>
<td>—</td>
<td>.1</td>
</tr>
<tr>
<td>Misc. Manuf.</td>
<td>.4</td>
<td>.1</td>
</tr>
<tr>
<td>Other</td>
<td>8.9</td>
<td>3.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>13.2</td>
<td>4.3</td>
</tr>
</tbody>
</table>

**Growth**

<table>
<thead>
<tr>
<th><strong>1.6</strong></th>
</tr>
</thead>
</table>

**Total 1938**

[Here follow in the original two manuscript pages of further figures without column headings or identification of any kind.]

### Value of Industrial Output East of O/N

**Value Added**

<table>
<thead>
<tr>
<th>Sector</th>
<th>(1928 RM)</th>
<th>(1938 RM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining &amp; Mfg</td>
<td>45.2</td>
<td>33.9</td>
</tr>
</tbody>
</table>

**Population**

<table>
<thead>
<tr>
<th>Region</th>
<th>(Year)</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>East of O/N</td>
<td>1933</td>
<td>8,924,702</td>
</tr>
<tr>
<td>Russian Zone</td>
<td>1933</td>
<td>23,469,137</td>
</tr>
</tbody>
</table>

[No. 931]
No. 932

United States Delegation Working Paper

[Undated.]

**Leading Food and Raw Material Surpluses of Soviet Zone**
(excluding Berlin)—1936

(Excess of rail-borne and water-borne shipments from over receipts into Soviet Zone in thousands of metric tons.)

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>883</td>
</tr>
<tr>
<td>Rye</td>
<td>476</td>
</tr>
<tr>
<td>Barley</td>
<td>303</td>
</tr>
<tr>
<td>Oats</td>
<td>146</td>
</tr>
<tr>
<td>Flour</td>
<td>354</td>
</tr>
<tr>
<td>Potatoes</td>
<td>1,113</td>
</tr>
<tr>
<td>Sugar</td>
<td>450</td>
</tr>
<tr>
<td>Milk and cream</td>
<td>217</td>
</tr>
<tr>
<td>Brown coal</td>
<td>3,492</td>
</tr>
<tr>
<td>Potash fertilizer</td>
<td>1,182</td>
</tr>
<tr>
<td>Pit props</td>
<td>448</td>
</tr>
<tr>
<td>Clay products (building materials)</td>
<td>1,256</td>
</tr>
</tbody>
</table>

1 Authorship not indicated.

No. 933

United States Delegation Working Paper

[Undated.]

**Memorandum**

Russians want of total reparations  

(Although, on formula which has been agreed to, they realize that the demands of countries other than the occupying powers, may cut this down a little.)

1 Another copy of this paper (file No. 740.00119 Potsdam/8–245) is headed: "Statistical Proposal—Prepared by Clayton, not fully used".
Since the Russian Zone now contains of the wealth of Germany .............. 45%
it follows that the Russians should get from the other 3 zones the remaining .............. 5%
(Although in the area to be ceded to Russia in East Prussia they get fee ownership to all property there, worth at least one billion dollars more than the simple right to take reparation from the same area.)

It is estimated that the Ruhr contains 50% of the removables in the U.K., U.S. & French Zones. Probably 40% of these removables can be taken as reparations and still leave sufficient to meet the minimum German requirements, as agreed upon.

This is equivalent to 20% of the removables of the whole U.S., U.K., French Zones. It is proposed to offer the Russians one half of this 20% equivalent to 10% of the whole. Half of this would be free, to balance the above-mentioned 5% deficit. The other half (5% of the whole) would be traded to the Russians for food, coal and other necessary supplies from their zone.

(Reparations to Poland would be more than balanced by the fact that they are acquiring fee ownership to very valuable property in the area which they expect to have ceded to them in the peace settlement.)

No. 934

740.00119 (Potsdam)/7-3145

United States Delegation Working Paper

[Undated.]

MEMORANDUM

The value of the industrial and agricultural resources (factory equipment, agricultural equipment and timber) in East Prussia in 1941, was estimated at approximately four billion RM. The value of real estate was estimated to be 1,282,000,000 RM., making a total of 5,282,000,000 RM.

1 Another copy of this paper (file No. 740.00119 Potsdam/8-245) is headed: "Statistics by Lubin".
The area north of the Goldap-Braunsberg line comprises forty percent (40%) of the population.

It has a large hog and dairy industry. Its three largest cities have machine, leather, textile, food processing and shipbuilding plants. It is estimated that two-thirds of the industrial and agricultural resources of the province, valued at approximately 2,600,000,000 RM lie in this section.

Converted into Dollars at the 1938 legal rate of exchange (2.5 RM to the Dollar), the value of the industrial, forestry, and agricultural resources, omitting real estate, in the area to be ceded to the U. S. S. R. approximates slightly more than One Billion Dollars. At the rate proposed by the U. S. S. R. in its "Plan" of July 23rd, that is, 3.5 RM to the Dollar, the value of these resources would be approximately $750,000,000.

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2 See document No. 920.

No. 935

United States Delegation Working Paper

BABELSBERG, July 26, 1946.

MEMORANDUM

Forty per cent of all industrial production (manufacturing and mining) is to be found in the Russian zone, although for the most part the industry is of a type which consists of relatively small units, does not involve substantial amounts of fixed capital and should remain in peacetime Germany (textiles, apparel, paper and wood pulp, printing, ceramics and glass, saw mills, etc.). For once-for-all removals the Russian Zone cannot therefore be said to contain over 30% of industrial equipment suitable for reparations and of the kind which the Russians particularly wish.

Hence, let us say that the Russian zone has a once-for-all repatriation [reparation] potential of 30%.

It is estimated that [the] Ruhr has 60% of the remaining 70%.

Leaving in remainder of U. S., U. K. and French zones 28%.

100%

Assuming Russians entitled to receive of all once-for-all reparations, 50%

And have available in their zone 30%.

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1 This paper is listed in the "Index of Attachments to Summary of the Negotiations in the Economic Sub-Committee" (file No. 740.00119 (Potsdam)/7-3145) as "Additional Statistical Information by Clayton—July 26, 1945."
It remains that they should get elsewhere of the whole once-for-all removals ... 20%  
As the Ruhr has 42% of the once-for-all removals in Germany, if we give one-half of such removals to Russia as a final settlement of all her claims, this equals ... 21%  
But the Russians would argue they got no current production from the U.S., U.K. and French zones and that this reduces this figure by one-half—it becomes ... 10\%  
As against the above; what I have proposed is:  
Assign Russians one-half Ruhr removals, but only 50% of such assignment for reparations and remaining 50% for exchange for goods from their zone—  
Thus the amount they get in reparations is reduced by one-half from the above figure and becomes ... 5\%  

No. 936

Pauley Files

United States Delegation Working Paper

[Undated.]

Physically Movable Capital Equipment in Manufacturing Industries at Beginning of 1945

<table>
<thead>
<tr>
<th>Group</th>
<th>Value in millions of marks (pre-war prices)</th>
<th>Per Cent in Eastern Zone plus Berlin</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Germany (1937 frontiers)</td>
<td>Eastern zone plus Berlin (1937 frontiers)</td>
</tr>
<tr>
<td>Group I</td>
<td>Iron and steel, other metals, metal products, machinery, vehicles, electrical equipment, chemicals</td>
<td>6608</td>
</tr>
</tbody>
</table>

| Group II | Textiles, leather, apparel, food processing, paper and pulp, printing, lumber and wood products, rubber, optical & precision instruments, liquid fuels | 5686 | 3107 | 55 |

Total manufacturing | 12294 | 4901 | 40 |

1 This manuscript working paper was attached to one copy of document No. 935. Authorship not indicated.
United States Delegation Working Paper

Valuation of Removable From the Ruhr Area

There has been a great deal of discussion as to the "value" of removable equipment in the Ruhr, and in particular as to the "value" of equipment which might be allocated to the Soviet Union from the Ruhr.

As is well known, there are various methods by which industries can be valued, depending upon the particular purpose for which the valuation is sought. These methods include cost less depreciation; replacement value; and the value of the industry as a going concern. Depending upon the method used, the valuations may differ substantially.

In addition to this difference in the methods of valuation, any attempt to place a value on industries in a country such as Germany becomes subject to even greater divergences of opinion if an effort is made to value such industries in terms of dollars. Assuming a reasonable valuation can be arrived at in marks for the particular purpose involved, at what rate should such marks be converted into dollars for that purpose?

It is submitted that for the purpose with which we are concerned, any attempt to place a valuation, whether in marks or dollars, on the equipment to be removed is meaningless and can only lead to needless debate in arriving at a decision on that basis. Even assuming a decision could be arrived at, such a decision would necessarily be subject to varying interpretations in its implementation.

What we are trying to determine is how much of the removable industrial equipment in the Ruhr should be allocated to the Soviet Union? The only realistic approach to this problem, and the only approach which can have any definitive meaning to the parties concerned, is to arrive at a percentage of the removable industrial equipment in the Ruhr to be so allocated.

To illustrate. Assume that it were decided that X percentage of the removable equipment in a certain industry in the Ruhr was to be allocated to the Soviet Union. Assume that under some method of valuation, and conversion into dollars, used by the United States the

1 Authorship not indicated.
value of this equipment were placed at $100,000; and that under some other method used by the Soviet Union the value were placed at $500,-000. It must be obvious that the fact that the United States and the Soviet Union place widely divergent values on such equipment is immaterial for our purpose.

No. 938

769.00119 E.W./7-2645 : Telegram

The Acting Secretary of State to the Representative on the Allied Commission on Reparations (Pauley)\(^1\)

SECRET [WASHINGTON,] July 26 [1945.]

131. (For Pauley.)

For your information British Embassy handed this Government a memorandum\(^2\) suggesting the possibility of constituent republics of the Soviet Union entering separate reparation claims and seeking separate representation on an Inter-Allied Reparation Commission. The British Government expresses the view that if these issues are raised by the Soviet Government (a) separate claims on behalf of Soviet Republics other than White Russia and the Ukraine should be resisted; (b) separate claims on behalf of White Russia and the Ukraine should be entertained on ground of the San Francisco precedent,\(^3\) if otherwise agreement with Soviet Union might be delayed indefinitely. Separate allocations to these republics should not be additional to the amount otherwise agreed at Moscow for the Soviet Union as a whole. (c) Separate claims on behalf of the Baltic States should not be entertained.

This Government’s reply\(^2\) states that it would be premature to attempt now to meet these contingencies since there is at present no indication of whether and in what form these questions may be raised and that this Government will state its policy on these matters when and if the Soviet Government introduces them into the discussions at Moscow.

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\(^1\) Sent to the Secretary of State at Babelsberg.

\(^2\) Not printed.

\(^3\) I.e., the invitation to the Byelorussian and Ukrainian Soviet Socialist Republics to attend the United Nations Conference on International Organization.

[No. 938]
Proposal by the Soviet Delegation

[Translation?]

TOP SECRET

[BABELSBERG, July 27, 1945.]

SECOND DEFINITION—WAR TROPHIES

Under the "war trophies" is understood:

1. All military property of Germany, including all military property, which belong, is being used or was intended to be used by the military and para military units of the enemy or by the members of these units.
2. Property which was used by the enemy for military purposes and which in the course of the war was removed from Germany to serve the military needs of the Allies.

1 A post-Conference letter from Parten to Brigadier General W. H. Draper, Jr., states: "The second [definition] was presented by Mr. Molotov on July 27. While both these definitions, and particularly the one presented by Mr. Maisky [document No. 904], were a subject of discussion, no formal action was taken on them." (Pauley Files.)

No. 940

Pauley Files

The Representative on the Allied Commission on Reparations (Pauley) to the Secretary of State


DEAR MR. SECRETARY: Yesterday I visited five plants in the American area of Berlin located in Zehlendorf and Tempelhof. These plants manufactured artificial wool and artificial silk from wood fibre, electrical instruments, radios, telephones, etc. Will Clayton accompanied me in looking over two of the plants.

These plants are strictly peace-time concerns. We made the following observations:

1. Very little damage was done to the plants as a result of bombing and shellfire.
2. Subsequent to the armistice, virtually all machinery was removed by the Russians. The machinery was numbered and removed out of our zone some of it just across the line. The work was tremendously rushed toward the end. A few pieces of machinery were left behind.

The technical information in the plants, process records and specifications were also taken.

1 Printed from a carbon copy on which there is an uncertified typed signature.
3. In every case, a few foremen and supervisors were “persuaded” by the Russians to accompany the machinery to Russia.

4. Two of the plants visited belonged to the International Telephone and Telegraph and were 94% and 100% American owned. They have been completely stripped of machinery down to even small tools.

It would appear that all these removals were in complete violation of all efforts to maintain “non-war potential” industries in Germany. The effect of the removals will be the complete destruction of employment opportunities in the area.

What we saw amounts to organized vandalism directed not alone against Germany, but against the U. S. forces of occupation. Incidentally, under the techniques used, Russia will withdraw two to three times as much from any area as would be withdrawn by the U. S. or U. K. under similar circumstances. In the area which we captured and turned over to the Russians we made no removals except for a few samples of unique equipment.

You may draw your own conclusions.

Respectfully yours,

EDWIN W. PAULEY

[Attachment]

[BABELSBERG], July 27, 1945.

FACTORY EQUIPMENT REMOVALS FROM THE AMERICAN ZONE OF BERLIN

Area Covered

On July 26 the Reparations Mission Staff, headed by Edwin W. Pauley and Isador Lubin, accompanied during part of the trip by Will Clayton and others, visited five industrial plants in the American sector of Berlin under the guidance of Major Gentle of the U. S. Military Government. The plants were in Zehlendorf and Tempelhof in the U. S. sector of Berlin.

Specific Plant Observations

The three plants most carefully inspected were the artificial fibre plant of the Spinnstofffabrik Zehlendorf A. G., the Zeiss Ikon lens and adding machine plant, and the glass works of the Sendlinger Optische Glaswerke. These were selected because they are among the largest plants of the area and are peace-time industries rather than war plants, though their products were used by the military during the war.

This paper bears the following typed notation: “Field notes and report by Luther Gulick July 27, 1945”.

[No. 940]
The following paragraphs will give a brief view of the facts:

1. *Spinnstofffabrik Zehlendorf A. G.*
   Normal products: Artificial wool and silk, from wood pulp.
   War products: Same
   Plant: About 770,000 sq. feet, mostly one story. About one half built during the war and equipped with new machinery. War damage at end was 20% to buildings and to machinery practically none.
   Employees: At end about 2,000 of whom 300 were foreign “slave labor” and were reported by the superintendent to be “just as good as the Germans”.
   Removals: 80% of all machinery removed, including all modern equipment; conveyor systems; 2 modern steam turbines, 12,000 KWH; pumping equipment from 7 deep wells (leaving 2); all specifications and process records; 4 technicians.

2. *Zeiss Ikon A. G. Goertzwerke*  
   Normal products: Cameras, adding-machines
   War products: Optical devices
   Plant: 270,000 sq. feet, modern 5 story concrete reinforced. War damage, buildings 50%, machinery 5%
   Employees: 2,300 including about 300 “slave labor”
   Equipment removed: 95% of machine tools, some 1800; all locomotive and rolling stock; all technical reports, drawings and specifications; several technicians went to Russia with the machinery.

3. *Sendlinger Optische Glaswerke GmbH.*  
   Normal products: Raw glassware for illumination, Röntgen glass, lenses, magnifying glasses, condensers, raw glass for optics.
   War products: Same, with emphasis on raw glass and lenses for optical instruments.
   Plant: 117,700 square feet, modern 5 story main plant; war damage to buildings 25%, to machinery none.
   Employees: 420, about 25% “slave labor”
   Removals: All machinery except 14 old machines removed since Armistice, kilns and furnaces remain. Some plumbing, electrical fixtures are missing. All measuring machines taken.

In addition two International Telephone and Telegraph plants were visited. They manufactured telephones, pneumatic conveyors, radios and other electric equipment.

**General Observations**

1. These were not “war potential” plants.
2. These plants were in full operation up to May 1945. Several of the plants had been damaged during the war mostly by fire, but were repaired and brought to 100% production or more in 30 to 90 days. Some I. T. & T. machinery had been moved out into plants in Czechoslovakia, otherwise there was no evidence of “dispersal.”
3. Managers or superintendents reported that all plants were operated as parts of various cartels, though they could not give all details.
4. “Slave labor” made up around 20% of the labor force, somewhat less than we found in heavy industry. Foreign labor was highly regarded by the superintendents we talked with.

5. Superintendents said that the bulk of their former labor force is still available in the neighborhood, though their living accommodations are very crowded. Present employment is 7% to 10% of normal, and is engaged in repair and clean-up work.

6. Raw materials and semi-finished materials on hand in the plants are very limited or non-existent, in contrast to the stock-piles in the steel plants. This may be an indication of the breakdown in transport toward the end of the war.

7. Virtually all useful machinery, including some boilers, turbines, generators and pumps were removed as well as plumbing and electrical fixtures.

8. Removals were executed by Russian military personnel under some technical supervision. Some 100 men were employed in removals, which may be compared with the 2000 normal employees of the plant. Removals continued up to the time we took over physically. Some machinery, taken from place, was left behind for lack of transport.

9. The removed machinery was carefully numbered and addressed and apparently sent to places selected in advance, to be set up on the former pattern.

10. Superintendents reported that the high precision and measuring machinery was not properly protected and was allowed to stand outdoors and along the streets and roads after removal.

11. German technicians were taken with the machinery to assist in its installation and operation. These technicians went voluntarily, according to the superintendents, though they implied that various “strong inducements” were offered. The Russians wanted many more, but could not persuade them to go.

12. Two of the plants belonged 94% and 100% to the I. T. & T. Co. They were completely “looted”. They had been more seriously damaged than the other plants we visited, but most of their machinery was in good condition at the end of fighting.

Conclusions

1. The USSR considers all industrial equipment as war booty, including the equipment of plants engaged in making textiles, cameras, optical instruments, radios, telephones, switchboards and pneumatic tubes and conveyors.

2. Removals are systematic and in some cases supervised by technical personnel. Machinery is numbered and addressed to places selected in advance. (This conflicts with some evidence seen at the
freight marshalling yards. Practices may differ for general purpose machinery). Technical personnel is persuaded but not forced to accompany the machinery.

3. Special effort was made to strip the Zone turned over to us in Berlin before we came in. The I. T. & T. in our Zone was stripped before July 4, while the AEG (General Electric) plant in the Russian Zone is only now being stripped.

4. There will be serious industrial unemployment no matter what we do in our Berlin Zone, because the tools of the former peace-time industries are gone.

No. 941

740.00110 EW/7-2645

The Representative on the Allied Commission on Reparations (Pauley) to the Secretary of State

[BABELSBERG,] July 28, 1945.

DEAR MR. SECRETARY: Our original calculations of maximum reparations, exclusive of current production, available from Germany, within its 1937 borders, amounted to something between $5-$6 billions. This estimate, however, included not only industrial and mining capacity but also among other things foreign investments, livestock and agricultural machinery. If we place the reparations figure at $5 billions and assume that 50% is in the Russian zone of occupancy there remains in the Western Zones, occupied by the U. S., U. K., and France $2.5 billions of removable "once-for-all" reparations. Twelve and one-half percent of this figure would be $312 millions.

Under a zonal system of reparations, and particularly in view of the tremendous shortages of food and fuel not only in the Western Zones of Germany, but also in all of Western Europe, it appears to be unwise to remove anything except direct war potentials for reparations purposes. We estimate the value of removable direct war potential in the Western Zones to amount to $1,710,000,000 of which 12½ percent would amount to $214,000,000.

This sum differs so widely from the figure which the Russians have in mind that I believe that the mere mention of this figure at this time would preclude any agreement being made at all. Accordingly I suggest that in your discussions with the Russians you talk only of total removables from the Western Zones and simply mention that they would receive 12½ percent of all equipment which the U. S., U. K., and France remove from these Zones.

Respectfully yours,

EDWIN W. PAULEY

1 Printed from a carbon copy on which there is an uncertified typed signature.
The Representative on the Allied Commission on Reparations (Pauley) to the Secretary of State

[BABELSBERG,] July 28, 1945.

My Dear Mr. Secretary: I am enclosing a copy of a letter which I have prepared for transmittal to Mr. Maisky, together with copy of my letter to the President on this same subject.

I shall appreciate your reviewing this proposed communication to Mr. Maisky. If you think it advisable, I would be happy to have the letter prepared for your signature and addressed to Mr. Molotov.

Respectfully submitted,

EDWIN W. PAULEY

[Enclosure 1]

The Representative on the Allied Commission on Reparations (Pauley) to the President

[BABELSBERG,] July 28, 1945.

My Dear Mr. President: I have prepared a letter to Mr. Maisky which, taken with my letter to him of July 3rd, gives a brief history to date of our negotiations and our present attitude toward the problems of reparations. I have naturally refrained from sending this letter until I have secured the approval of yourself and the Secretary of State.

Inasmuch as the subject of reparations will undoubtedly be a matter of public interest and discussion in the United States, and inasmuch as verbal statements by representatives of nations can be so easily misquoted or misunderstood, I think it wise that the official record as regards reparations should be well documented.

I am therefore presenting this proposed letter to you and to the Secretary of State for whatever comment you wish to make concerning it. I am also enclosing for your reference a copy of my previous letter to Mr. Maisky dated July 3rd, 1945.

Respectfully submitted,

EDWIN W. PAULEY

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1 Printed from a carbon copy on which there is an uncertified typed signature.
2 Document No. 364, printed in vol. 1.
The Representative on the Allied Commission on Reparations (Pauley) to the Chairman of the Allied Commission on Reparations (Maisky)  


MY DEAR MR. MAISKY: In my letter to you of July 3rd, I called your attention to the fact that although we had been in Moscow some twenty-two days, we had received from the Soviet Government neither a presentation of the Soviet “plan” of reparations nor any figures in support of the amount of reparations which was agreed at the Crimea Conference 4 should be the subject of discussion at our meeting in Moscow.

In the foregoing letter, I pointed particularly to this meeting of the Big Three, and recalled our understanding, reached the day after the arrival of the British delegation in Moscow, that it was our joint responsibility to present a definitive reparation program at this meeting of the heads of Government. In addition to reaching an agreement on the fundamental principles of a reparations plan, I urged that we define “reparations”, “restitution”, and “war booty”, in order to make definite and certain the subject matter upon which a reparations program could be predicated. This latter problem of definition appeared to me then, and even more so now, to be an elementary and obvious first step.

As you know, we discussed and agreed on seven of eight general principles which the United States Delegation proposed should guide the formation and administration of a reparations plan for Germany as a whole. It was understood, of course, throughout all our discussions that for the purpose of reparations Germany included all of the territory lying within the boundary of the old German Reich.

Both we and the British submitted proposed definitions of “restitution”. You agreed at a meeting of the Steering Committee that you would present a definition of “war booty” or “war trophies”. After countless delays and postponements, no Soviet definition of “war booty” or “war trophies” was forthcoming. When we arrived here at the Big Three Conference, we had received from the Soviets neither an explanation of their proposed “plan” of reparations nor any figures supporting their proposed amount of reparations, nor a

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3 Pauley has provided the information, in an interview with Department of State historians on November 23, 1953, that this letter was approved by Clayton, Byrnes, and Truman; that it was handed on or after July 28 to Vyshinsky (who had replaced Maisky as the Soviet negotiator with respect to reparations on the Economic Subcommittee) in the course of a meeting of that Subcommittee after Pauley had stated its substance orally; and that no written reply to this letter was made by the Soviet authorities.

4 See document No. 1416, section v.
definition of “war booty” without which it will be impossible to ascertain what should be available for reparations, or how fairly to divide among claimant nations what is removed.

Upon our arrival in Berlin, the United States Delegation sought to facilitate the necessary definition of the subject matter of reparations by submitting to the Soviet and British Delegations, proposed definitions, not only of “war booty”, but of “restitution” and “reparations” as well. These proposed definitions were as follows:

[Here follow the definitions contained in attachment 2 to document No. 894.]

Here in Berlin, it has been impossible not to observe that extensive removals of capital equipment of all kinds have been made by the Soviet Government both from the American zone of occupation prior to our occupation, and from the Soviet zone. The removals from the Soviet zone are continuing on a comparable scale and include equipment from many peace-time industries essential both for the maintenance of a minimum subsistence in Germany and to provide for necessary imports and recurrent reparations. Even American owned equipment of this character has been removed.

Since all of these removals are taking place before any reparations agreement has been reached, we can only conclude that the equipment removed is either being taken as “war trophies” or that the Soviet Government has concluded that the reparations program can best be conducted on a zonal basis, rather than by treating Germany as a single economic unit as was discussed in Moscow. As you know, we have consistently maintained that the economy of Germany, in which reparations necessarily plays an important part, could be more satisfactorily administered by treating Germany as an economic unit. This principle was set forth in one of the seven principles to which the Soviet Government agreed in Moscow.6

It has now been made clear both to the Big Three and the Foreign Ministers that with the acquiescence of the Soviet Union, Poland has been permitted to occupy and take over all of German Silesia lying east of the Oder–Neisse River[s] together with a substantial part of East Prussia. Representatives of the Soviet Union have stated that no Germans remain in these areas and take the position that this area belongs exclusively to the Poles. This means that the large potential surpluses of agricultural products and important minerals and other raw materials produced in these areas of pre-war Germany will no longer be available to balance the German economy. This renders it impossible for zones other than the one occupied by the Soviet Government to balance their economy even on a bare subsistence level without large imports of foods, and other raw materials.

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6 See attachment 1 to document No. 894.
In the circumstances, both the British and U. S. Governments have been and will be compelled to import into Germany these large quantities of food, and other supplies. The Soviet Government both in our meetings at Moscow and here at this conference has consistently refused to accept that part of the final proposed principle of a reparations plan underlined \(^6\) below:

"After payment of reparations, enough resources must be left to enable the German people to subsist without external assistance. In working out the economic balance of Germany, the necessary means must be provided for payment of imports approved by the Government concerned before reparation deliveries are made."

The Soviet representatives have maintained that reparation deliveries shall have priority over payment for even approved and necessary imports made into Germany by the Allied Governments. This simply means that those Allied Governments which are compelled to ship food and other necessary supplies into Germany without compensation will in effect be advancing funds to provide for deliveries of reparations from Germany. To this neither the United States, nor, as we understand it, the United Kingdom can subscribe. The Soviet position would prevent our receiving compensation for the vast supplies now necessary to maintain our respective zones. Thus we would repeat one of the worst mistakes made after the first World War.

The United States has therefore been placed in the position where it must deal with reparations along the same lines as have, in fact, been initiated by the Soviet Government. It was for this reason that we have submitted (two days ago) a further proposal which formally recognizes that removals will be conducted on a zonal basis.\(^7\) This we regard as regrettable, but inescapable, in view of the unilateral actions taken by the Soviet Government.

Our proposal need not interfere with the efforts of the Control Council to work out other economic and political problems for Germany as a unit. Likewise, it need not interfere with your securing heavy equipment from western Germany as reparations in return for deliveries of needed equipment and supplies from eastern Germany both on reparations account and to lighten the import burdens which have been placed upon those powers occupying western Germany.

\(^6\) Here represented by italics.
\(^7\) Document No. 925.
I trust that you will understand the spirit in which this letter is written. I am sure that we both realize that removals of necessary peacetime equipment from Germany render it most difficult to deal with reparations and the payment for necessary imports. Let me assure you again that we share your views as to the necessity for removing German war potential.

Sincerely yours,

EDWIN W. PAULEY

No. 943

United States Delegation Working Paper

BABELSBERG, July 28, 1945.\(^1\)

Preliminary Estimates of Capital Removals Required To Reduce German War Potential in the Reich and by Zones
(In Millions of Prewar Reichsmarks)

<table>
<thead>
<tr>
<th></th>
<th>Total Reich</th>
<th>Eastern Zone Including Berlin</th>
<th>Balance of Germany</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Manufacturing including armaments plants . . . . . .</td>
<td>3,500</td>
<td>1,400</td>
<td>2,100</td>
</tr>
<tr>
<td>2. Railway transport; motor vehicles, inland shipping .</td>
<td>2,250</td>
<td>1,125</td>
<td>1,125</td>
</tr>
<tr>
<td>3. Electric power, gas works . . . . . . . . . . . . . . .</td>
<td>900</td>
<td>400</td>
<td>500</td>
</tr>
<tr>
<td>4. Total . . . . . . . . . . . . . . . . . . . . . . . . .</td>
<td>6,650</td>
<td>2,925</td>
<td>3,725</td>
</tr>
</tbody>
</table>

Value in dollars, converted to 1938 prices plus 15 percent

a) At 2.5 RM—$1
   3,060 (100%) 1,350 (44%) 1,710 (56%)
b) At 3.5 RM—$1
   2,215 (100%) 975 (44%) 1,240 (51%)\(^2\)

Basis of Calculation:

The calculations are based on a program to reduce German war potential in general and to eliminate it in strategic war-important industries.

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\(^1\) So dated in the "Index of Attachments to Summary of the Negotiations in the Economic Sub-Committee" (file No. 740.00119 (Potsdam)/7–3145), which describes this paper as "Statistics by Pauley Group".

\(^2\) Sic.
No. 944

Pauley Files

The Assistant Secretary of State (Clayton) to the Representative on the Allied Commission on Reparations (Pauley)


MEMORANDUM FOR AMBASSADOR PAULEY

The attached memorandum for U. S. Group CC\(^1\) raises certain questions regarding restitution of art objects.

I believe that we might concur in recommendations 1 and 2, and I should like your comments on recommendation 3. It too would seem acceptable, subject to your views on “replacement” as against straight restitution of art objects.

It would be desirable if we could get off a joint memorandum on this subject to General Clay.

W L C[layton]

\(^1\) Not printed. For the recommendations referred to in the following paragraph, see the subenclosure to document No. 964.

No. 945

Pauley Files

The Representative on the Allied Commission on Reparations (Pauley) to the Assistant Secretary of State (Clayton)\(^1\)

Berlin, July 29, 1945.

MY DEAR MR. CLAYTON: I have your memorandum of July 28\(^2\) suggesting that we might concur in the recommendation concerning certain questions regarding restitution of art objects, as recommended by the Headquarters, U. S. Group Control Council.

At your suggestion I have prepared a joint memorandum\(^3\) and have indicated my approval of it by my signature thereon. If it meets with your approval I presume you will transmit the same to General Clay for appropriate action.

Sincerely yours,

EDWIN W. PAULEY

\(^1\) Printed from a carbon copy on which there is an uncertified typed signature.

\(^2\) Document No. 944.

\(^3\) Enclosure to document No. 964.
The Representative on the Allied Commission on Reparations (Pauley) to the Secretary of State

BERLIN, July 29, 1945.

DEAR MR. SECRETARY: There is no real difference in the US and UK figures. There was an apparent difference because the British (and the Soviets) have been using 1938 replacement value plus 15%, while we have been using 1938 depreciated value plus 15%. We did this as a protection against a later argument over the value of machinery when removed. However, we are willing to use “new cost” basis for second-hand machinery, provided it is agreed that the same basis will be accepted at the time of removal of the property. This is very important especially if the promise to deliver reparations is made in dollar value. Annex I shows our figures on both bases of evaluation. When we use the British method of evaluation we have substantially the same results as they do.

The Ruhr contains about 45 percent of the total reparations which we find should be taken from the Western Zones under the reparations policies of the U. S. Government, i. e., demilitarization without destruction of the German people. The additional reparations which may be given to Russia could be taken exclusively from the Ruhr, if, after consideration, you and the President think this wise. However, I think it would be better and safer to draw from the entire Western area, including all three zones. I suggest this because there are disarmament targets in the western zones, which are not in the Ruhr; the Ruhr industries are often integrated with industries just outside the Ruhr; and finally because it is not easy to define “the Ruhr” nor to build up statistics for a unit which exists more in conversation than as a defined political and census area. A summary of the possible reparations removals from the Ruhr is given in Annex II for your information.

For your information I attach Annex III and IV which show industry by industry what we find must be taken in reparations from Germany as a whole and from the western zones to fulfill US policy. You will note that while the tables are compiled in Reichsmarks, the totals are converted to dollars on varying bases in Annex I.

I trust that this letter and the information given will fully serve your purpose. If not I shall be glad to supplement this material.

Sincerely yours,

EDWIN W. PAULEY

1 Printed from a carbon copy on which there is an uncertified typed signature.
2 Annexes not found.
3 Cf. the map facing p. 926, post.
The Assistant Secretary of State (Clayton) to the Secretary of State

[Babelsberg,] July 29, 1945.

MEMORANDUM

This memorandum is in confirmation of my statement to you this morning on reparations and is written merely for the purpose of placing my views on record and not for the purpose of prolonging the discussion.

1. I think enough has been said at Yalta and at Moscow to justify the Russians in feeling that they have a right to 50% of whatever reparations in kind can be got out of Germany.

2. The only practicable method of apportionment between the different claimant countries is on a zonal basis so far as Russia is concerned.

3. If the Russian zone contained 50% of the movable industrial capital equipment of Germany of the kind which the Russians seek, the problem would be simple.

4. The most reliable information we have is that the Russian Zone contains only 40% of the movable industrial capital equipment of Germany and that this equipment consists predominantly of the light industries (textiles, printing, apparel, saw mills, etc.) and contains relatively little of the heavy industrial type which the Russians want. 60% of the movable industrial capital equipment of Germany is in the Western Zone, about half of it in the Ruhr. This equipment, particularly in the Ruhr, is predominantly of the heavy type (iron and steel, chemicals, etc.) which the Russians want.

5. I suggest, therefore, that we should be prepared to trade with the Russians on the following basis:

(a) Reparations claims of Russia and Poland to be satisfied from the Russian Zone plus 25% of such industrial capital equipment as we decide should be removed from the Ruhr (estimated roughly at 1/4 of such equipment) on condition that an additional like amount of such equipment would be exchanged for an equivalent value in food, coal, zinc, potash, timber and oil to be made available to us by the Russians from their zone.

(b) All other claimants for reparations (U. S., U. K., France, et al) to be satisfied out of the Western Zone.

6. German merchant fleet not considered in the above but to be covered by a separate arrangement.
7. United Nations property in Germany and satellite countries, if taken for reparations, to be safeguarded or compensated for in accordance with memoranda of the U. S. Delegation of July 25.¹

Since the Russians must bow to the U. K. and U. S. decision regarding their right to receive reparations from the Western Zone, I feel that any decision to exclude them from any participation in the distribution of the heavy equipment in the Ruhr as reparation, would be considered by the Russians as a reversal of the Yalta and Moscow position, since no Allied understanding would be necessary to enable them to get reparations from their own zone. Furthermore, we are committed to the substantial de-industrialization of the Ruhr, and it is doubtful if other claimant nations for reparations will be able to use all the equipment which will be removed from that area. In other words, to give a reasonable percentage of such equipment to the Russians will cost nothing.

W L C[layton]

¹ Documents Nos. 842 and 926.

No. 948

740.0019 (Potsdam)/7-2945

The Chief of the Division of Economic Security Controls (Rubin) to the Acting Chief of the Division of Economic Security Controls (Oliver) ¹

[Babelsberg,] July 29, 1945.

Dear Covey: I have seen the Department’s telegram 131, July 26,² for Pauley, stating that the British have handed us a memorandum stating the possibility that the different Soviet Republics might enter separate reparation claims.

So far, this has not happened, and I think that the U. S. S. R. intends to treat its claims as a whole. In any case, the zonal plan of reparation which seems to be evolving contemplates that all of the U. S. S. R. and Poland will be compensated by what they choose to take from the Eastern Zone, plus perhaps an additional agreed amount from the Western Zones. This makes immaterial separate claims on behalf of the Republics or of the Baltic States.

Sincerely,

Seymour J. Rubin

¹ Printed from a carbon copy on which there is an uncertified typed signature.

² Document No. 938.
The Adviser on Administration and Political Science on the United States Delegation to the Allied Commission on Reparations (Gulick) to the Representative on the Allied Commission on Reparations (Pauley)

No. 949

Pauley Files

The Adviser on Administration and Political Science on the United States Delegation to the Allied Commission on Reparations (Gulick) to the Representative on the Allied Commission on Reparations (Pauley)

[Undated.]

MEMORANDUM

Subject: Additional evidence on German [Soviet?] removals from Berlin.

(1) We have three new reports on removals from Berlin. These are as follows:

(a) Report on industrial removals from the Russian sector observed on July 28 by Sproul, Mahler, Trone and Johnson.
(c) Report on removals of property belonging to US citizens and Neutrals from US sector, as of July 29, by Capt. Arthur D. Reed for G-5, Berlin District.

(2) New material in these reports is as follows:

(a) Removal of raw materials, scrap and cable machinery, including wire twisters and insulation weaving machines, is reported from the Russian sector, also domestic sewing machines.
(b) Most of the public Art collections of Berlin were apparently stored for protection in the Flakturm at the Zoo, and in four buildings in the US-UK Sectors of Berlin. The distinctive and valuable material has been removed by the Russians, including especially the sculptures, paintings, antiquities, art libraries, and German Volk arts. The removals were selective, much material of second rate importance remains.
(c) The Reed report lists 20 American owned plants and installations which have been removed 20% to 100%. These are:

<table>
<thead>
<tr>
<th>Plant Name</th>
<th>Percent Removed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anaconda Copper Co. (51% US Owned)</td>
<td>100</td>
</tr>
<tr>
<td>International Business Machines (80% US Owned)</td>
<td>40</td>
</tr>
<tr>
<td>Combustion Engineering Co.</td>
<td>100</td>
</tr>
<tr>
<td>Gillette Safety Razor Co. (Three plants)</td>
<td>100</td>
</tr>
<tr>
<td>International Tel and Tel:</td>
<td></td>
</tr>
<tr>
<td>C. Lorenz Plant</td>
<td>80</td>
</tr>
<tr>
<td>Mix and Genest Plant</td>
<td>95</td>
</tr>
<tr>
<td>Ferdinand Schuchhardt Shops</td>
<td>100</td>
</tr>
</tbody>
</table>
American Radiator Co. .......... 100
Metals Coating Company .......... 20
Ford Motor Company Shops ....... 100
Intertype Corporation .......... 100
National Cash Register .......... 100
Underwood–Elliott Fisher ....... 100
Horst von Hemming (33% US owned) (medical accessories) .......... 100
General Electric Co. (Two plants in US Zone) .... 100 (projectors and films)
Paramount Pictures .......... 100 Stocks
Valentin .......... 100 Stocks
F. W. Woolworth & Company .......... 100 Stocks

L[UTHER] G[ULICK] ¹

¹ On the original Gulick’s initials appear at the head of the memorandum.

No. 950

740.00119 E. W./7-3045

The Commander in Chief of the Soviet Forces of Occupation in Germany (Zhukov) to Generalissimo Stalin ¹

[Translation?]

[Undated.]

Report of Marshal Zhukov on the Removal by the Allies of Rolling Stock from the Soviet Zone of Occupation

I report that while withdrawing their troops from our zone temporarily occupied by them Americans and British have removed without our agreement the following rolling stock—

Americans

1. Erfurt Railroad Board
   Loaded goods cars— 9722
   Passenger cars— 278
   Locomotives of all types 87

2. Magdeburg Railroad Section
   Loaded goods cars— 655
   Empty goods cars— 939
   Passenger cars— 322

¹ The subject matter of this report was discussed by Stalin in the Eleventh Plenary Meeting, July 31. See ante, p. 514.
British

1. Schwerin Railroad Board
   
<table>
<thead>
<tr>
<th>Type</th>
<th>By Americans</th>
<th>By British</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loaded goods cars</td>
<td>10377</td>
<td>36</td>
<td>10413</td>
</tr>
<tr>
<td>Empty goods cars</td>
<td>939</td>
<td>1200</td>
<td>2139</td>
</tr>
<tr>
<td>Locomotives of all types</td>
<td>600</td>
<td>—</td>
<td>600</td>
</tr>
<tr>
<td>TOTAL REMOVED</td>
<td>10377</td>
<td>36</td>
<td>10413</td>
</tr>
</tbody>
</table>

Please bring up before the Allies the question of returning to our zone of occupation the abovementioned rolling stock as we in our zone experience acute shortage of rolling stock.

Zhukov

No. 951

*The Representative on the Allied Commission on Reparations (Pauley) to the President*

Berlin, July 29, 1945.

My Dear Mr. President: Marshal Zhukov presented what purports to be an exposé of U. S. and U. K. removals of industrial equipment in Germany.\(^1\) It is clear that this report is designed as a smoke screen for the unilateral U. S. S. R. action in shipping to Russia, before the approval of any reparations plan, whole plants, including factories with no war-potential. Some areas, such as our sector of Berlin, have, as you know, been stripped of virtually all peace-time industrial employment possibilities, in violation of principles agreed to with us and the British in Moscow.

I asked Committee I of my staff to analyze the Zhukov Report. The Committee includes well known American industrialists, machine tool experts, and industrial economists, most of whom visited plants in Eastern Germany just before the release of this territory to the Russians by our Armies. Robert G. Sproul, President of the University of California, is Chairman. I attach their report as you should see it. I think it summarizes the situation accurately, and from my own observations, I concur in the statements made.

\(^1\) Attachment 2, *infra.*
The Zhukov report will surely be heard from again in the international scene, certainly next winter when the ghastly and costly results of the Russian policy become evident and known. I am sure you will want to be prepared for this development. A careful report by the U. S. and U. K. Military Authorities should also be in your hands.²

Respectfully submitted,

EDWIN W PAULEY

[Attachment 1]

SECRET


MEMORANDUM

Subject: Report of Marshal Zhukov on Removals by Allies from Russian Zone

After analyzing the report of Marshal Zhukov on the removal by American and British armies of equipment and other properties from the factories and other institutions in the Soviet zone of occupation, we have the following comments:

1. The report is probably largely correct, but compared to the removals of industrial equipment reported and observed in the Berlin District and elsewhere, the removals reported by Marshal Zhukov are trivial.

2. Most of the removals listed, of equipment, documents and personnel, have to do with recent German technical advances, for immediate use in war or war production, and are clearly war booty.

3. The removals of gold and artistic or cultural objects have been made public and are subject to action by the Reparations Commission.

4. Much of the damage to instruments and equipment, in the light of our observations, was caused by looting and destruction by foreign slave labor; souvenir hunters, as in all armies, also played their part.

5. Personnel removed were those suspected of being war criminals or of contributing to German war potential.

6. The removals of equipment described in Marshal Zhukov’s document are not those required for Germany’s peacetime economy, but rather for war purposes, whereas the Russian removals observed, such as agricultural equipment, sewing machines and textile machines, are certainly not war potentials.

² Following this paragraph is the following manuscript notation: “7/30/45[.] Memo sent to Eisenhower requesting investigation & report[,] H[arry] S[T]ruman”.

See document No. 958.

[No. 951]
MARSHAL ZhUKOV’S REPORT ON REMOVAL BY THE ALLIES OF EQUIPMENT AND OTHER PROPERTY FROM THE FACTORIES IN THE SOVIET ZONE OF OCCUPATION

Hereby I report that the Americans and British when withdrawing from the Soviet zone of occupation, i.e., from the territory of Saxony, Thüringen, and province of Saxony and province of Mecklenburg removed the following equipment, property and technical experts:

Morsleben near the town of Helmstedt, Province of Saxony from the aviation equipment plant of the Company “Ascania Werke” in the salt mines were removed to Braunschweig:

- 200 universal metal-cutting machine-tools;
- All technical documentation;
- All optical instruments from the laboratory.

Town of Hadmersleben near town of Oschersleben (Saxony); the Junkers underground plant in the salt mines:

- All the optical instruments were damaged, the microscope and micro-photocamera’s lenses were removed.

Unseburg near town of Stassfurt; From the underground plant of the B. M. W. Company in the salt mines were removed:

(a) All technical documentation for new motors and the turbine 0018;
(b) Chief designer of the new reactive turbine 0018 and a group of technical experts with their families were taken away.

Town of Schönebeck: from the Junkers’ plant producing HE-162 aircraft were removed:

(a) 50 turbines of the firm B. M. W. were dismantled from the finished HE-162 aircraft;
(b) Chief engineer of the plant and a group of technical experts with their families.

Beendorf near town of Helmstedt; from the Siemens plant situated in the salt mines, the pit “Maria”, for the production of the aviation equipment and autopilots for the V-1 and V-2 aircraft were removed:

- All technical documentation; all optical instruments and the laboratory;
- Chief engineer of the plant and a group of technical experts with their families.
Tarthun near the town of Schönebeck; from the underground 
Junkers aviation plant were removed:

Technical documentation and draughts;
Chief engineer and a group of designers and technologists with 
their families.

Town of Stassfurt: from the Berlepsch salt mine were removed:
10 precise geodesic instruments and devices.

From the pits “Ludwig–1” and “Ludwig–2” of the “Ludwig” mine 
from the underground commissary stores of the German War Office 
were removed:

More than 100 railway cars of ammunition and fabrics inclusive of 
the fabrics produced by the Russian Morozov Factory.

Town of Kleinwanzleben westward of the city of Magdeburg; from 
the institute of beet-sugar production (a research institute of world-
wide importance) were removed in April:

All the main laboratory equipment and the scientific and research 
works;
Two doctors of biological sciences with their families.

Town of Merseburg: from the “Leuna” plant producing synthetic 
gasoline, carbon and ammoniac were removed:

A suitcase full of platinum (that was in the store in the plant); 
28 engineers;
The American [commander?] gave permission to Krupp to remove 
the plant. The commander of the Soviet 129 Rifle Corps stopped 
the removal of the equipment but all the principal technical staff 
has been taken away.

Town of Halle:

24 scientists including the outstanding physiologist, the Nobel 
prize winner, Professor Doctor Emil Abderhalden, were taken away 
from the institute of Physics and Chemistry;
The laboratory of the Institute was removed.
From the Siebel plant were removed:
The draught-designs of new speed aircraft;
Chief designer of the plant.

Town of Schkopau:

1400 tons of finished rubber products and 40 klg of platinum were 
removed from the Buna plant.

Simultaneously 26 leading chemical engineers including inventors, 
research-workers with their families and personal belongings were 
taken away; many engineers raised a protest against this, but they 
were made to leave by force.
Village of Berka (Saxony):

Up to 100 tons of gold were removed from the store of medical supplies.

Town of Niedersachswerfen (Saxony):

A plant producing V-1 and V-2 weapon was partially removed.

Town of Ilfeld (Saxony):

The equipment of plant producing Faust cartridges was partially removed.

Town of Langensalza (Saxony):

The workers of Krupp and Junkers plants were taken away;
The machine tools of the aviation school-factory producing aircraft JU-88 were partially removed.

City of Jena: from the Zeiss plant were removed:

The central optical control laboratory;
The reproduction laboratory;
The physics laboratory;
The electro-technical laboratory;
The range-finder laboratory;
The crystallographic laboratory;
The metallographic laboratory;
The microscopic laboratory;
The medical laboratory;
The geodesic laboratory;
20 million R. M. worth of finished optical mechanical devices;
All the original draughts of all kinds of optical mechanical production;
77 leading experts, including the chief engineer of the plant, 3 professors and 35 doctors of technical sciences.

From the “Schott” optical plant were removed:

The optical control laboratory;
The physics laboratory;
The range-finder laboratory;
The crystallographic laboratory;
The microscopic laboratory;
The geodesic laboratory;
3 million R. M. worth of the finished production;
50 key-experts including the chief engineer of the plant Doctor of technical sciences Berger.

Town of Weida: from the Berlin Physical and Technical Institute were removed:

All the supplies of radium and polonium;
2 complexes of quars clocks [sic];
A series of etaloons [sic] and measuring instruments (magnitons, vacuum pumps, electromagnets, etc.);
Modern technical literature;
The draughts of apparatus of new constructions;
The records of physical observations;
13 experts of the high frequency laboratory, including Doctor Scheibe, the head of the laboratory and Doctor Meller, President of the Institute.

Town of Eisenach: from the Bavarian motor-building plant were removed:
302,000 R. M. worth of equipment;
Engineers and designers of the plant.

Town of Gera: from the Siemens-Halske electro-technical enterprise were removed:
The most valuable equipment and finished production, for example the newest signal-speaking system for railroads;
All technical key-personnel including Keyser, the manager, and Paetz, the chief engineer;

From the “Califon-Fabric” were removed:
All chemical experts and the manager of the factory.

City of Egeln:

From the aircraft factory “Junkers” was removed the chief engineer with drawings.

City of Bad Blankenburg:

A part of the laboratory of the firm “Telefunken” was removed.
20 experts in military wireless technique were removed.

City of Leipzig: from the factory of the firm “Leis Schoper” were removed:

Drawings of noncontact combined fuses;
3 experts;

Drawings and two experts were removed from the factory where gyroscopic compasses for U-boats of the firm “Schitsche” were manufactured.

City of Zwickau: from the “Horch” factory of the “Autounion” concern were removed:

Electrical torpedo drawings;
The chief designers of torpedoes.

City of Werda:

(a) Three experts and drawings were removed from the “Schwarzkopf” factory where principal engines and governing instruments for torpedoes were manufactured.
(b) Three experts and drawings were removed from the “Siemens” naval instruments factory.

[No. 951]
City of Bitterfeld: from the “IG Farben Industrie” were removed:
25 experts;
Recipes, reports on research work, drawings, patents for production of chlorine, calcium, chloride, hydrogen, chloride-benzole, chlorine iron and etc.

City of Bernburg: from the “Deutsche Solne [Solway?] Werke” were removed:
10 experts;
Recipes;
Reports on research work;
Drawings;
Patents on production of calcined soda; sodium hydroxide, bicarbonate, calcium chloride and cement.

City of Plauen: from the works of the firm “Horn” were removed:
All technical documentation;
Specimens and manufactured goods of automatical control of the plane and flying bombs;
Chief constructor—Doctor Edhard Horn and his 2 assistants;
Many documents, drawings were blown up and burned.

City of Kahla (Thüringen): from the works of the firm “Gustloff Werke Reimag” were removed:
Original drawings of Me-262, the reaction engines and turbines;
All copies documents and experimental specimens are burned.

Village Molsdorf (Thüringen):
Research laboratory of the firm “Siemens Schukert” for the application of high frequency currents and ultraviolet rays for gluing of wood, its drying, increasing of vitamins in food stuffs, catalytic agent for chemical process, change of atom structure of some of solutions on other.
All reports on finished works and researches as well as research personnel of 4 men and staff technical personnel with most valuable apparatus were removed.

City of Suhl: from artillery-rifle works of “Gustloff”, where there has been a central engineering bureau for rifle and small-calibre artillery production and the largest laboratory were removed:
All designers to the last;
All engineers which worked directly in shops;
Technical experts with drawings and technical data.

Village of Merkers (near city of Gotha):

Some time ago from Berlin to the mines of Kaiserode and Grossgerzen were removed: gold and other valuables of German State Bank, paintings and other objects of art of state museums of Berlin, acts and apparatuses of Koenigsberg canals.
According to the Manager of the Kaiserode joint stock company and the chief mining engineer from this mine were removed all these valuables including:

- Gold of German bank—over 100 tons;
- Paper currency approximately 4 railroad cars load [carloads?];
- All paintings and other valuables from Berlin museums;
- Acts and instruments of the Koenigsberg canal board.

Village of Wertenrode [Wernrode?] (Harz):

It is reported that in the potassium mine in Wertenrode were hidden 250 extremely valuable paintings, 4 sculptures, 48 Gobelins and 3 boxes containing the so-called royal treasures from the Prussian Royal Palace (crowns, swords, sceptres and etc.).

Enquiries made of local inhabitants revealed that cultural valuables hidden in Wertenrode were removed by the American[s] round about April 8, 1945.

According to incomplete information received from a commission investigating synthetic oil plants in the area of Magdeburg, Chemnitz, Leuna ("Troglitz", "Schwartzheide" and "Ruhland" factories) managers, chemical experts, mechanics and technical documents were removed.

In all up to 80% of all military doctors, all gold, silver deposited in banks were removed from the province of Thüringen.

In addition the British City of Beuzenberg [Boizenburg?):

- Partly removed the equipment from Dornier aircraft factory.
- Removed ready-made output from the motorboat and self-propelled barges.
- Experts with families—6 persons.
- Part of turbine drawings.

City of Halberstadt (province of Saxony): from the works "Malakhite" for production of engines "B. M. W." were removed:

- Model of reaction turbine 004;
- Its drawings;
- Experts-engineers and technologists—6 persons.

City of Wernigerode: from the works of "Rautenbach" for aircraft engine castings were removed:

- X-ray apparatus for inspection of castings—7;
- Precision machine tools (including 1 SIP)—2;
- All drawings of production objects;
- Equipment of metallography and mechanic laboratories.

From the branch works of the firm "Junkers" were removed:

- All drawings for turbine 004 and motor.

Village of Königshütte (near [town?] of Elbingerode): a number of parts and equipment of Kiev Movie Studio were removed:

- Movie apparatus—3.
- Parts of movie projectors.

[No. 951]
City of Osterwieck:
From the clothing factory of brothers "Asmole-Galle" all the equipment of factory was removed.

City of Salbelel [Salzwedel?]:
200.000 tons of gasoline and workshop equipment were removed from the airfield.

City of Oschersleben:
Removed: A part of the equipment, drawings of all sort of production, leading and technical personnel of the "Junkers" aircraft factory that produced turbine fighter planes.

The investigation into the removal of equipment and valuables is continuing.

No. 952

740.0010 (Potsdam)7-2445
United States Delegation Working Paper¹
[Undated.]

Draft—Case 1 (Agreement)
The Conference reviewed the work of the Allied Commission on Reparation and found itself in agreement on the principal aspects of the policy to be pursued in exacting reparation from Germany. It agreed that as far as possible reparation should take the form of immediate deliveries of existing capital equipment. Such deliveries will be carried out primarily for the purpose of eliminating Germany's war potential. In particular, they will serve to reduce the productive capacity of the metals, machinery and chemical industries, which have been expanded far beyond peacetime needs. Such removals will also promote the economic reconstruction of Allied countries which have been devastated by German aggression.

The Conference recognized that the need of the Soviet Union for equipment to rebuild its heavy industries could not be adequately met from the resources of Eastern Germany. Accordingly, the three governments agreed that, in addition to transfers from the Soviet zone and Greater Berlin, the Soviet Union will receive substantial deliveries of equipment from the Ruhr-Westphalia industrial area.

The Soviet Union will make available from its zone considerable quantities of food and raw materials in order both to reduce as far as possible the necessity for imports into Western Germany and to assist in meeting the needs of other Allied Nations. These deliveries

¹ Authorship not indicated.
will permit more effective use of European supplies and will help to relieve the strain on overseas supplies and shipping.

The Control Council for Germany was charged by the Conference with working out detailed arrangements for giving effect to these agreed principles. The three governments will consult other Allied nations regarding the allocation of reparation to be exacted from Germany.

Draft—Case 2 (no agreement)

The Conference reviewed the work of the Allied Commission on Reparation but was unable to reach a decision at this time on a definitive program of reparation. The three governments therefore agreed that each of the occupying powers may exact reparation on an interim basis from its own zone in Germany. Each occupying power will also be entitled to make interim deliveries from its zone to other Allied countries which have been devastated by German aggression.

The Conference agreed that reparation deliveries will be carried out primarily for the purpose of eliminating Germany's war potential. In particular, they will serve to reduce the productive capacity of the metals, machinery and chemical industries, which have been expanded far beyond peacetime needs. Such removals will also promote the economic reconstruction of Allied countries.

No. 953

Pauley Files

Proposal by the Soviet Delegation ¹

[Translation]

[BABELSBERG, July 29, 1945.]

Proposition of [on?] Reparations From Germany

1. Exactions of once-for-all removals from the national wealth of Germany in payment for reparations (plants, shops, equipment, materials, etc.) will be made by each government in its zone of occupation within two years after capitulation.

2. Removals must be made with a view to the quickest restoration of the economy of those countries which have suffered from German occupation. The necessity of an over-all reduction of the war potential of Germany must also be taken into account.

¹ This paper is not dated, but it has been tentatively identified as the proposal which Molotov handed to Byrnes on the afternoon of July 30 (see ante, p. 482). It is apparently the paper referred to in documents Nos. 954 and 955 as the Soviet proposal of July 29.
3. Because of the enormous losses of the Soviet heavy industry and also because of the small quantity of German enterprises of this kind in the Soviet zone of occupation and because of the insufficiency of the total resources of this zone, the USSR must receive in addition to the removals made in her zone, also from 5½ to 6 million tons on a special list of equipment in complete and workable condition on the reparations account from the Western Zones and predominantly from the Ruhr District. This equipment will be used for the restoration of the various branches of Soviet industry which have suffered from the enemy, and in the first instance for the metallurgical, chemical, and machine building industries. These removals must begin immediately upon the acceptance of this decision and will terminate not later than May 10, 1947. For this purpose a special agency will be created by the Allied Commission on Reparations.

4. The USSR will also receive corporation shares valued at $500,000,000 of industrial and transport companies which have remained in the Western Zones and which have the greatest significance from the point of view of an over-all reduction of the military potential of Germany.

5. Exactions of annual deliveries of goods from the current production will not be made on a zone basis but on an over-all German basis. The Allied Commission on Reparations will arrange a general plan for receiving and allocating these deliveries among the nations which have the right to them. The total sum of these deliveries will amount to 8 billion dollars and will be for a period of 10 years. The USSR share in these deliveries will amount to 50% of the total sum.

6. The following goods will be accepted in the form of possible deliveries; coal, brown coal, metals, metal products, cement, building materials, scrap metal[,] timber, potash, paper, sugar, chemical and glass products, machines, river boats, medical instruments, agricultural products, cattle, etc. As a basis for computation, the 1938 price—valued in dollars—will be accepted with an increase of 10%.

7. The Allied Commission on Reparations will arrange the plan of allocating the external assets and claims of Germany among the nations which have a right to receive reparations.

8. In regards to that part of reparations which must be covered by once-for-all removals, the U. S. S. R. will take upon herself, and for her own account, the settlement of the reparations claims of Poland. The United States of America and Great Britain will do the same in regards to France, Yugoslavia, Czechoslovakia, Belgium, Holland and Norway.
United States Delegation Working Paper

[BABELSBERG,] July 30, 1945.

Comments on Paragraphs 3, 5, and 6 of USSR "Proposal for Reparations From Germany" Dated July 29, 1945

1. The Russian proposal to express capital removals in tons is not practicable and is unacceptable for the following reasons:

   a. Because of their great variety [and] the differences in values of industrial machinery and equipment, a tonnage measurement does not and cannot represent either the value or the industrial or military importance of capital assets. Industrial machinery and equipment generally can be measured meaningfully only in terms of productive capacity rather than in terms of weight.

   b. To express reparation obligations in terms of tons alone would lead to proposals for indiscriminate removals of machinery and equipment from plants which operate as industrial units. This would lead either to constant disputes or to purposeless destruction of industrial capacity with the consequent danger that Germany would be unable to meet the requirements of her civilian population or annual reparation deliveries.

   c. To express reparations obligations in tons would be completely unsatisfactory to most receiving countries as a basis for fixing their reparations claims.

2. The determination of recurring reparations [is impossible?]

   unless there is prior agreement on the amount of capacity to be removed from specified industries.

3. The only sound basis for the determination of capital removals is agreement on the productive capacity which is to be subject for removal from industries constituting war potentials.

4. The proposal in Paragraph 6 of the Soviet memorandum is acceptable as a basis for discussion. However, it may be found impossible to make annual deliveries in certain of the products listed.

[No.954]
United States Delegation Working Paper

[BABELSBERG,] July 30, 1945.

Comments on Paragraphs 3, 5, and 6 of USSR “Proposal for Reparations From Germany” Dated July 29, 1945

1. With respect to Paragraph 3, the Russian proposal to express capital removals in tons is impracticable and is unacceptable for the following reasons:

   a. Because of their great variety and the differences in values of industrial machinery and equipment, a tonnage measurement does not and cannot represent either the value or the industrial or military importance of capital assets. The only sound basis for the determination of capital removals is agreement on the productive capacity which is to be subject for removal from industries constituting war potentials.

   b. To express reparation obligations in terms of tons alone would lead to proposals for indiscriminate removals of machinery and equipment from plants which operate as industrial units. This would lead either to constant disputes or to purposeless destruction of industrial capacity with the consequent danger that Germany would be unable to meet the requirements of her civilian population or annual reparation deliveries.

   c. To express reparations obligations in tons would be completely unsatisfactory to most receiving countries as a basis for fixing their reparations claims.

2. With respect to Paragraph 5, the determination of recurring reparations is impossible unless there is prior agreement on the amount of capacity to be removed from specified industries.

3. The proposal in Paragraph 6 of the Soviet memorandum is acceptable as a basis for discussion. However, it may be found impossible to make annual deliveries in certain of the products listed.

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1 Authorship not indicated. Cf. document No. 954.
2 See document No. 953.
The Representative on the Allied Commission on Reparations (Pauley) to the Secretary of State ¹

BERLIN, July 30, 1945.

MY DEAR MR. SECRETARY: Mr. Clayton has given me an opportunity to review his memorandum to you of July 29 ² relative to reparations.

I note that Mr. Clayton estimates that the USSR zone contains 40% of the movable industrial capital equipment in Germany. The estimate I presented to you yesterday morning ³ is approximately 45%. In other words my percentage includes about 200,000,000 Reichsmarks more of industrial equipment removables than the percentage used by Mr. Clayton.

The difference between the two estimates could arise from the following:

(a) My figures covered not only industrial equipment but also transportation and utilities.
(b) Mr. Clayton’s figures relate to total removables of capital equipment in the USSR zone while mine relate to equipment which it is believed should be removed if Germany is to be deindustrialized of its war potential.
(c) Mr. Clayton may not have included the entire areas considered in my figures.
(d) The data used in my estimate make some small allowances for the relatively greater amount of damage and destruction to industrial equipment in the west as compared to the east.
(e) Neither the Clayton figures nor my own make full allowances for the increase in industry in the eastern zone versus the western zone.
(f) Neither figure takes into consideration the increased value of the fee ownership of land acquired by Russia versus the value of this same area for reparations.
(g) Neither Mr. Clayton’s figures nor mine make provisions for any allowances that the USSR will remove more from their zone of occupancy than [will the?] U. S., U. K., or France.

Any dispute between Mr. Clayton and myself as to [figures?] seems to me irrelevant at the moment. The fact remains that the USSR have for all practical purposes approximately 50% of all things that are subject matters of reparations in their zone, and at least we are close enough to strike a bargain if one is to be made.

Sincerely yours,

EDWIN W. PAULEY

¹ Printed from a carbon copy on which there is an uncertified typed signature.
² Document No. 947.
³ Presumably in one of the annexes (not found) to document No. 946.
No. 957

Memorandum by the General Counsel of the United States Delegation to the Allied Commission on Reparations (Marshall)

[Babelsberg], July 30, 1945.

MEMORANDUM

Out of Germany (including that part occupied by Russia and Poland) the U. S. should want two important things:

(1) Technical knowledge, information, and "know how" relative to the scientific developments, plants, and processes which contributed to both the war and peace-time industrial strength of Germany.

(2) Relief from the enormous burden of imports to support Western Europe.

Knowledge, information, sample equipment, and data we can largely get for ourselves from the Western Zones. But imports for the West, unless they are to be paid for by U. S. taxpayers, can only come from the East. These necessary imports are food, fuels, and fertilizers (potash). Russia wants capital equipment from Western Germany. We want current production from Eastern Germany.

We can call those deliveries of current production (food, fuel and fertilizers) from East to West anything we like—for example:

(1) "Reparations"
(2) "Deliveries to relieve import burdens"
(3) "Deliveries in recognition of the principle that imports shall be paid for before reparations are removed".

Whatever we call them, the fact remains that unless we get them:

(1) The American taxpayer will have to provide them and U. S. rationing will be the more stringent, and,

(2) Our imports are what permit Russia to get reparations out of Germany—which is another way of saying we are paying for reparations. The Russians have maneuvered us into throwing aside the principle that imports are a first charge against the entire economy of pre-war Germany.

The foregoing results can be avoided practically regardless of what the figures show as to the relative proportions of capital removables between West and East, by refusing to deliver any capital equipment from the West, which is what the Russians desire, until

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1 This paper bears the following manuscript notation by Marshall: "Drafted for Committee #1 at Potsdam."
they agree to deliver food, fuel, and fertilizer from the East, which is what we desire.

J H[oward] Marshall

No. 958

Department of the Army Files

The President to the Commanding General, United States Forces, European Theater (Eisenhower)¹

Berlin, July 30, 1945.

MEMORANDUM TO GENERAL EISENHOWER

Re: Removal of Property from the Russian Occupied Zone by the American Armies.

I am enclosing you an informal translation from Russian of a report by Marshal Zhukov to Generalissimo Stalin.² I would appreciate it very much if you would investigate these charges and report to me.³

Sincerely yours,

HARRY S. TRUMAN

¹ Printed from a copy subsequently typed in the Department of the Army. This memorandum was referred to by Truman in the course of the Eleventh Plenary Meeting, July 31. See ante, p. 516.
² Attachment 2 to document No. 951.
³ No reply was received from Eisenhower during the Conference. Cf. document No. 951.

No. 959

Pauley Files

Mr. Josiah E. DuBois, Jr., of the Delegation to the Allied Commission on Reparations, to the Representative on the Allied Commission on Reparations (Pauley)

[Undated.]

MEMORANDUM FOR AMBASSADOR PAULEY

Subject: Treatment of gold as War Booty.

The question has been raised as to whether the gold in our possession at Frankfurt may be treated as war booty, irrespective of whether or not its source can be identified.

In a public statement issued by the United States government on January 5, 1943 [February 22, 1944]¹ (similar statements were issued by the British and Russian governments) it was stated:

"In view of the foregoing facts and considerations, the United States government formally declares that it does not and will not

¹ Text in 9 Federal Register 2006.

[No. 959]
recognize the transference of title to the looted gold which the axis at any time holds or has disposed of in world markets."

By this statement the three governments served notice that they would not recognize the title of the German state to looted gold.

Article LIII of the Hague Regulations ² (by which we're not necessarily bound in dealing with Germany) provides:

"An army of occupation can only take possession of cash, funds, and realizable securities which are strictly the property of the State, depots of arms, means of transport, stores and supplies, and, generally, all movable property belonging to the State which may be used for military operations."

Although the right to appropriate booty has been said to be limited to the property of the state, if material is actually in use by the enemy forces or is helping its operations, it is considered to be a part of the military equipment of the enemy and, as such, liable to confiscation. (Latifi, Effects of War on Property (1909), 30.) Similarly, Hyde suggests that the public character of property is to be ascertained by reference to two considerations:

1. its ownership by the enemy state, or
2. its actual use in behalf of the state.

(3 Hyde, International Law (2nd ed. 1945), 1896.)

The gold in question, whether or not we recognize that title was in the German state, was clearly being used in behalf of the German state.

Accordingly, from a strictly legal point of view, apart from the policy considerations involved, the gold may be treated as war booty.

Josiah E. DuBois, Jr.

² Text in Foreign Relations, 1907, pt. 2, p. 1216.

No. 960

740.00119 (Potdam)/7-3045

Proposal by the British Delegation ¹


THE SOVIET UNION SHARE OF REPARATION

BRITISH PROPOSAL

As part of a settlement covering this and other matters, H. M. Government are ready to agree that Russia, in addition to obtaining reparation removals and deliveries from the Russian Zone of Occupa-

¹ Attachment 2 to the summary of the Tenth Meeting of the Foreign Ministers, July 30. See ante, pp. 485, 497.
tion, shall also be entitled to receive from the Western Zones, and particularly from the Ruhr, 10% of such equipment, particularly from the heavy metal industries as it is decided to remove under an agreed Reparation Plan, which will have to provide on the one hand for eliminating German war potential to an adequate degree and which will have, on the other hand, to leave to Germany a sufficient industrial equipment to enable her to maintain approved living standards. It is the policy of H. M. Government that, in order to eliminate German war potential, there must be very considerable removals from these heavy metal industries, but they cannot express an opinion about the precise amount until a comprehensive Plan has been worked out.

The Reparation Plan will have to be such as to enable the Powers (other than the Soviet Union and Poland) entitled to reparation to obtain from the Russian Zone adequate amounts of annual deliveries of timber and potash. It will be for the Allied Commission on Reparations to work out the details.

No. 961

740.00119 (Potsdam)/7-3945

Proposal by the United States Delegation

[Babelsberg,] July 30, 1945.

GERMAN REPARATIONS

THE UNITED STATES PROPOSAL

Reparations claims of Russia and Poland to be satisfied from the Russian zone plus

(a) 25% of such industrial capital equipment as we determine is not necessary for a peace economy and should be removed from the Ruhr on condition that there would be exchanged an equivalent value in food, coal, potash, zinc, timber, clay products and oil products, to be made available to us by the Soviets.

(b) An additional 15% of such industrial capital equipment as is determined unnecessary for a peace economy should be transferred from the Ruhr to the Soviet government without payment or exchange of any kind in return.

[Attachment 1a to the summary of the Tenth Meeting of the Foreign Ministers, July 30. See ante, pp. 484, 497. Byrnes had given Molotov a copy of this proposal at a private meeting immediately preceding the Tenth Meeting of the Foreign Ministers. See ante, p. 481.]

[No. 961]
No. 962

Proposal by the United States Delegation

[BABELSBERG,] July 30, 1945.

ADDITION TO U. S. PROPOSAL ON GERMAN REPARATIONS

The determination of the amount and character of the industrial capital equipment unnecessary for a peace economy and therefore available for reparation would be made by the Reparation Commission with France added working in consultation with the Control Council subject to the final approval of the zone commander in the zone from which the equipment is to be removed.

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1 Attachment 4 to the summary of the Tenth Meeting of the Foreign Ministers, July 30. See ante, pp. 488, 497. An undated copy in the Pauley Files of the body of this addition bears the following manuscript notation by J. H. Marshall: "Potsdam Draft by Byrnes". Cf. document No. 961.

No. 963

Pauley Files

Proposal by the Soviet Delegation [?]

[Translation?]

[Undated.]

1) Reparation claims of USSR shall be made by removals from the zone of Germany occupied by the USSR.

2) The USSR undertakes to settle the reparations claims of Poland from its own share of reparations.

3) The reparations claims of the United States, the United Kingdom and other countries entitled to reparations shall be made from the western zones.

4) In addition to the reparations to be taken by the USSR from its own zone of occupation, the USSR shall receive additionally from the western zones:

(a) 15 per cent of such usable and complete industrial capital equipment, in the first place from the metallurgical, chemical and machine manufacturing industries unnecessary for a peace economy, and should be removed from the western zones of Germany, in exchange for an equivalent value of food, coal, potash, zinc, timber, clay products, petroleum and petroleum products, and such other commodities as may be agreed upon.

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1 This paper, undated and without title, was found in the Pauley Files in a folder marked "Russian Proposals". It is apparently a revision of document No. 1425 prepared following the discussion at the Eleventh Plenary Meeting, July 31. Cf. the attachment to document No. 972.
(b) 10 per cent of such industrial capital equipment as is unnecessary for a peace economy, and should be removed from the western zones, to be transferred to the Soviet Government on reparations account without payment or exchange of any kind in return.

(5) Removals of industrial capital equipment shall be completed within two years of the date hereof in exchange for products to be delivered by the USSR in agreed instalments within five years of the date hereof. The determination of the amount and character of the industrial capital equipment unnecessary for a peace economy and therefore available for reparation shall be made by the Control Council under policies fixed by the Allied Commission on Reparations, with the participation of France, subject to the final approval of the zone commander in the zone from which the equipment is to be removed.

(6) The amount of equipment to be removed from the western zones on account of reparations must be fixed within six months from now at the latest.²

² There is the following penciled addendum partly in Pauley’s handwriting (cf. ante, p. 517, and post, document No. 1425):

“‘To be included in the Protocol.

‘in consideration of higher percentages in paragraphs 4 (a) and (b), the U. S. S. R. withdrew the claim previously advanced to receive on account of reparations:

‘a. Shares of industrial and transport enterprises in the Western zones to the total amount of $500 million;

‘b. 30% of all German foreign assets;

‘c. 30% of German gold which came into the hands of the Allies.’”

No. 964

740.00119 (Potsdam) 7-3045

The Assistant Secretary of State (Clayton) to the Secretary of State ¹

[BABELSBERG], July 30, 1945.

MEMORANDUM

I enclose a memorandum signed by Mr. Pauley and me with reference to the disposition of works of art now held by General Clay.

If you agree, I suggest that you indicate your approval on this memorandum. However, before delivering the memorandum to General Clay, I suggest also you may wish to inform the U. K. and U. S. S. R. Delegations of the action contemplated.²

¹ Printed from an unsigned carbon copy.

² See document No. 973. A memorandum of August 9 by DuBois in the Pauley Files states that the enclosure had been delivered to Clay.

[No. 964]
Memorandum for General Clay

With respect to the attached memorandum regarding art objects in the United States zone, prepared in the U.S. Group Control Council, the following represents our views:

1. We concur in the recommendations contained in paragraphs 5a and 5b, regarding works of art in Class "A" and Class "B". It was because of your concern for the preservation of these objects that an interim procedure for their return was provided in Pauley's wire to Eisenhower of June 27. Negotiations have now progressed to the point where it seems clear that the return of objects classified in your 5a will be deemed restitution.

2. With respect to works of art in Class "C", we are agreeable to arrangements being effected so that such works of art may be sent to the United States to be inventoried, identified, and cared for by museums. We feel, however, that no definite statement should be made at this time as to the future disposition of works of art in Class "C", and that if removed to the United States it should be announced that they are being taken there only for care and safekeeping and that their eventual disposition will be subject to future Allied decisions.

Edward W. Pauley
William L. Clayton

Excerpts from US Group Control Council Memorandum on Art Objects

2. Classification:

For the purpose of handling these works of art, they may be divided into three classes, to wit:

Class "A", consisting of works of art taken from the countries overrun by Germany readily identifiable as publicly owned, and works of art taken from private owners in the overrun countries by seizure and without compensation.

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3 Printed from a copy included as an appendix to the Pauley-Lubin Report (see document No. 980).
4 Document No. 360, printed in vol. 1.
5 These excerpts comprise the subenclosure in toto.
Class “B”, consisting of works of art taken from private collectors in the overrun countries for which some compensation is alleged to have been made to the owners.

Class “C”, consisting of works of art placed in the US zone by Germany for safekeeping which are bona fide property of the German nation.

5. Recommendations:
   a. That all works of art in Class “A” be returned to the country of origin as rapidly as arrangements can be effected, without conditions.
   b. It is recommended that works of art in Class “B” be returned to the countries of origin and that receipts be taken for the amount of compensation alleged to have been paid by the Germans, with these values possibly to be considered as reparations payments to the several countries to which these works of art are returned.
   c. It is recommended that the works of art in Class “C” be removed to the US as rapidly as arrangements can be effected and distributed among the museums in the US properly equipped to handle these works of art. It is suggested that they be placed on exhibit in the US, but that an announcement be made to the public, to include the German people, that these works of art will be held in trusteeship for return to the German nation when it has re-earned its right to be considered as a nation.

No. 965

Department of the Army Files

The Assistant Secretary of War (McCloy) to the Secretary of State

TOP SECRET

[BABELSBERG], 31 July 1945.

DEAR MR. SECRETARY: I am going off to Frankfurt, and from there to Munich to go through our zone, looking particularly at our Military Government installations on the way from Frankfurt to Munich. From there I intend to go on to Italy for a short visit with the people in northern Italy, finally to spend a day with Mc纳rney and perhaps Alexander in Rome. I shall be home in about five days.

I have had talks with Pauley and Clayton about the status of the reparations discussions. I have also had several talks with Clay, and will probably have more in Frankfurt before leaving there. The War Department interest in reparations lies, of course, in the vital effect the solution of the reparations problem has on the day to day administration of Germany. I believe the Army can administer under any of the Plans I gather from Clayton you have in mind as possible solutions of the reparations issue, but I would like to leave

1 Printed from an unsigned carbon copy. No signed original of this letter has been found in Department of State files and it has not been possible to verify that the letter was signed and transmitted.

[No. 965]
with you the following brief thoughts in the hope you will be able to
give them consideration in any plan you conclude at Babelsberg:

First: In agreeing to a formula for sharing reparations out of the
Ruhr area, I hope the wording will insure that whether the amount
be stated in percentage or amount, it shall only relate to that portion
of the Ruhr surplus which we find is not needed for the maintenance of
a reasonable measure of self-supporting economy in Germany. We know
that there will be substantial amounts available, but since we have
to satisfy France, Belgium, etc., as well as maintain some economy
in Germany, we shall be taking the great risk of having to finance
that economy if the amount of reparations to be delivered to the
Russians from the Ruhr are absolutely fixed now. We have to know
more of what has been destroyed and what conditions generally are,
in my judgment, before a fixed sum can be set without risk. I know
that this is General Clay’s strong recommendation.

Second: I hope very much that you will be able to induce all
governments to agree that their representative on the Control Council
will have delegated to him the authority to deal with all questions
within the framework of the policies agreed upon at Babelsberg
without reference back to his government for further decision. From
what I hear Zhukov is disposed to act and if he is permitted to we
shall have a real chance of making the thing work. The language of
such a delegation was contained in a paper submitted to you earlier
in the Conference by General Clay. For your convenience I enclose
herewith the language to which I refer.

I shall be in Frankfurt until Wednesday night.
Sincerely,

[No signature]

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2 Document No. 869.
3 Attached is a copy of the final two sentences of document No. 870.

No. 966

Paul C. Fleck

Proposal by the United States Delegation

[BABELSBERG,] July 31, 1945.

Restatement of United States Proposal on German Reparations

1. Reparations claims of Russia and Poland to be satisfied from the
Russian zone plus

(a) 25% of such industrial capital equipment as is determined is
not necessary for a peace economy and should be removed from the
Ruhr on condition that there would be exchanged an equivalent value
in food, coal, potash, zinc, timber, clay products and oil products, to
be made available to us by the Soviets.

1 This may have been the paper before the Eleventh Plenary Meeting, July 31.
See ante, p. 512. For a subsequent modification of this paper, see document No.
980.
THE RUHR: TRAFFIC DISTRICTS AND ADMINISTRATIVE DIVISIONS

PROVISIONAL

Rheinprovinz

Ruhr region defined by railway traffic districts (with modifications)
Ruhr region defined by administrative divisions
Upland, 100 meters or over
International boundary
Province boundary
Administrative boundary (Regierungsbezirke)
Railway traffic district
Canal
Inland waterway district

Original classification "CONFIDENTIAL". RUHR SERIES, MAP 1.
(b) An additional 15% of such industrial capital equipment as is determined unnecessary for a peace economy should be transferred from the Ruhr to the Soviet government without payment or exchange of any kind in return.

2. Removals of capital equipment in accordance with Paragraph 1. above shall be completed by May 10, 1947. Commodities shipped in exchange under (a) above shall be completed not later than May 10, 1951.

3. For purposes of the above agreement the Ruhr is defined in accordance with the attached map.²

4. The determination of the amount and character of the industrial capital equipment unnecessary for a peace economy and therefore available for reparation would be made by the Allied Commission on Reparations with France added working in consultation with the Control Council subject to the final approval of the zone commander in the zone from which the equipment is to be removed. Further details shall be determined by the Allied Commission on Reparations with France added.

² Facing p. 926.

Pauley Files

Proposal by the British Delegation¹

[BABELSBERG, July 31, 1945.]

GERMAN REPARATION

(Still under discussion by Drafting Committee, 11 p. m.
31st July, 1945)

1. Reparation claims of U. S. S. R. shall be met by removals from the Zone of Germany occupied by the U. S. S. R.

2. The U. S. S. R. undertakes to settle the reparation claims of Poland from its own share of reparations.

3. The reparations claims of the United States, the United Kingdom and other countries entitled to reparations shall be met from the Western Zones *and from German external assets*.

4. In addition to the reparations to be taken by the U. S. S. R. from its own zone of occupation, the U. S. S. R. shall receive additionally from the Western Zones:

(a) 15 per cent of such usable and complete industrial capital equipment, in the first place from the metallurgical, chemical and machine manufacturing industries as is unnecessary for the German

¹ This paper bears the following manuscript notations: (1) "by the U. K." and (2) "British Proposals".

* Reserved by Soviet Delegate. [Footnote in the original.]
peace economy and should be removed from the Western Zones of Germany, in exchange for an equivalent value of food, coal, potash, zinc, timber, clay products, petroleum and petroleum products, and such other commodities as may be agreed upon.

(b) 10 per cent of such industrial capital equipment as is unnecessary for a peace economy and should be removed from the Western Zones, to be transferred to the Soviet Government on reparations account without payment or exchange of any kind in return.

Removals of equipment as provided in (a) and (b) above shall be made simultaneously.

5. Removals of industrial capital equipment shall be completed within two years of the date hereof. The delivery of products covered by 4 (a) above shall be made by the U. S. S. R. in agreed instalments within five years of the date hereof. The determination of the amount and character of the industrial capital equipment unnecessary for a peace economy and therefore available for reparation shall be made by the Control Council under policies fixed by the Allied Commission on Reparations, with the participation of France, subject to the final approval of the Zone Commander in the Zone from which the equipment is to be removed.

6. The amount of equipment to be removed from the Western Zones on account of reparations must be fixed within six months from now at the latest.

No. 968

Pauley Files

The General Counsel of the Delegation to the Allied Commission on Reparations (Marshall) to the Representative on the Allied Commission on Reparations (Pauley)

[BABELSBERG,] July 31, 1945.

MEMORANDUM TO AMBASSADOR PAULEY

Mr. Collado and Mr. Despres, of the State Department, are firm in their belief that the following subjects should be included in the final agreement between the Big Three:

1. Restitution;
2. Property of United Nations nationals located in Germany;
3. German external assets.

Mr. Collado and Mr. Despres, however, have undertaken to cover these subjects by way of additions to the Economic Principles which the State Department will submit.

We do not, however, feel that this relieves you of the necessity of urging both a declaration by the Big Three on German assets abroad,
and the issuance of an appropriate vesting decree by the Control Council (copies attached). ¹

You will also, of course, want to check over carefully any proposed definition of restitution although it would no longer seem to be a major factor in the reparations plan under the new proposal. So far as the Economic Principles are concerned we have checked these over carefully and other than the proposed amendment conforming these principles to the British proposal on “first charge” no further amendments are necessary other than the deletion of the last sentence of 14-(d) and the entire paragraph 18, both of which the State Department have agreed to handle.²

Paragraph 18 deals with supplies for the Greater Berlin area and this is no longer necessary in view of the supply arrangements for food, etc., now incorporated in the reparations plan.

J H[OWARD] MARSHALL

¹ No attachments found. Cf. documents Nos. 1000 and 1003.
² See documents Nos. 878 and 885.

No. 969

Pauley Files

Memorandum by the General Counsel of the Delegation to the Allied Commission on Reparations (Marshall)


MEMORANDUM

The most satisfactory way of incorporating the proposed reparations plan in an agreement or protocol to be adopted is simply to attach the plan to the Economic Principles as Annex I, referred to in Section 16.¹

J H[OWARD] M[ARSHALL]

¹ See the attachment to document No. 863.

No. 970

Frankfurt USPOLAn Files—500 Potsdam Conference

Draft of Report by the Drafting Committee on Reparations From Germany

[Undated.]

REPORT OF DRAFTING COMMITTEE ON PROTOCOL OF GERMAN REPARATION

Owing to a difference of view regarding the inclusion of German external assets in paragraph 3, full agreement was not reached on
paragraphs 1 to 6 of the attached draft. The U. S. and U. K. representatives considered that in return for the percentages of capital equipment to be received by the U. S. S. R. under the terms of paragraph 4, the Soviet Government had agreed to refrain from exercising a claim to German external assets, gold captured in Germany or securities of German corporations in the Western zones. The Soviet representative was of the view that this decision had not yet been taken, and that the matter should be referred to the heads of government.

The U. S. and U. K. representatives did not accept paragraph 7, which was proposed by the U. S. S. R. representative.

\[1\] The draft attached is identical to the attachment to document No. 972, except that it has the earlier version of paragraph 7 quoted in footnote 2 on p. 933.

No. 971

Pauley Files

Text Considered by the Drafting Committee on Reparations From Germany

[Undated.]

**German Reparation**

(Agreed with reserves noted by Drafting Committee)

1. Reparation claims of U. S. S. R. shall be met by removals from the Zone of Germany occupied by the U. S. S. R.

2. The U. S. S. R. undertakes to settle the reparation claims of Poland from its own share of reparations.

3. The reparations claims of the United States, the United Kingdom and other countries entitled to reparations shall be met from the Western Zones *and from German external assets*.

4. In addition to the reparations to be taken by the U. S. S. R. from its own zone of occupation, the U. S. S. R. shall receive additionally from the Western Zones:

(a) 15 per cent of such usable and complete industrial capital equipment, in the first place from the metallurgical, chemical and machine manufacturing industries as is unnecessary for the German peace economy and should be removed from the Western Zones of Germany, in exchange for an equivalent value of food, coal, potash, zinc, timber, clay products, petroleum or petroleum products, and such other commodities as may be agreed upon.

(b) 10 per cent of such industrial capital equipment as is unnecessary for a peace economy and should be removed from the Western Zones, to be transferred to the Soviet Government on reparations account without payment or exchange of any kind in return.

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*Reserved by Soviet Delegate. [Footnote in the original.]
Removals of equipment as provided in (a) and (b) above shall be made simultaneously.

5. The amount of equipment to be removed from the Western Zones on account of reparations must be determined within six months from now at the latest.

6. Removals of industrial capital equipment shall begin as soon as possible and shall be completed within two years from the date of the determination specified in paragraph 5. † Until the determination of the general volume of equipment to be removed, deliveries will be carried out as advance deliveries in regard to such equipment as the Allied Commission on Reparations and the Control Council shall decide to be available. The delivery of products covered by 4(a) above shall be made by the U. S. S. R. in agreed instalments within five years of the date hereof. The determination of the amount and character of the industrial capital equipment unnecessary for the German peace economy and therefore available for reparation shall be made by the Control Council under policies fixed by the Allied Commission on Reparations, with the participation of France, subject to the final approval of the Zone Commander in the Zone from which the equipment is to be removed.

‡7. The Soviet Government will make no claim to securities of Corporations in Western Zones, to German external assets, nor to German gold.

†Reserved by the U. K. Delegation. [Footnote in the original.]
‡Reserved by Soviet Government. U. S. and U. K. Delegations would accept an oral assurance instead of this clause. [Footnote in the original.]

No. 972

Truman Papers

Report by the Drafting Committee on Reparations From Germany¹

[BABELSBERG, August 1, 1945.]

REPORT OF DRAFTING COMMITTEE ON PROTOCOL OF GERMAN REPARATION

No agreement was reached by the Committee on a protocol on German reparations. The U. S. and U. K. representatives considered that, in return for the percentages of capital equipment allocated to the Soviet Union under the terms of paragraph 4 of the attached draft, the U. S. S. R. had agreed to refrain from asserting a claim to German external assets, gold captured in Germany or securities of German corporations in the Western Zones. Therefore, the U. S. and U. K.

¹ This report was presented at the Twelfth Plenary Meeting, August 1. See ante, p. 566.

[No. 972]
representatives maintained that German external assets should be included in paragraph 3, as a source of reparation to countries other than the U. S. S. R. Lacking this, the percentages in paragraph 4 would be unacceptable to the U. S. and U. K. representatives.

The Soviet representative considered that no agreed decision had yet been taken regarding relinquishment by the U. S. S. R. of a claim to external assets, gold and securities. Therefore the Soviet representatives did not accept the addition of German external assets in paragraph 3 and recommended that the matter should be referred to the Heads of Government.

The attached draft would be acceptable to the U. S. and U. K. representatives upon condition that the Soviet representatives confirm the above understanding regarding external assets, gold and securities. The Soviet representative stated that he could not agree with the way this question had been raised.

[Attachment]

**German Reparation**

1. Reparation claims of U. S. S. R. shall be met by removals from the zone of Germany occupied by the U. S. S. R.

2. The U. S. S. R. undertakes to settle the reparation claims of Poland from its own share of reparations.

3. The reparations claims of the United States, the United Kingdom and other countries entitled to reparations shall be met from the Western Zones *and from German external assets[.]*

4. In addition to the reparations to be taken by the U. S. S. R. from its own zone of occupation, the U. S. S. R. shall receive additionally from the Western Zones:

   (a) 15 per cent of such usable and complete industrial capital equipment, in the first place from the metallurgical, chemical and machine manufacturing industries as is unnecessary for the German peace economy and should be removed from the Western Zones of Germany, in exchange for an equivalent value of food, coal, potash, zinc, timber, clay products, petroleum products, and such other commodities as may be agreed upon.

   (b) 10 per cent of such industrial capital equipment as is unnecessary for the German peace economy and should be removed from the Western Zones, to be transferred to the Soviet Government on reparations account without payment or exchange of any kind in return.

Removals of equipment as provided in (a) and (b) above shall be made simultaneously.

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*Reserved by Soviet Representative.*  [Footnote in the original.]
5. The amount of equipment to be removed from the Western Zones on account of reparations must be determined within six months from now at the latest.

6. Removals of industrial capital equipment shall begin as soon as possible and shall be completed within two years from the determination specified in paragraph 5. The delivery of products covered by 4 (a) above shall begin as soon as possible and shall be made by the U. S. S. R. in agreed installments within five years of the date hereof. The determination of the amount and character of the industrial capital equipment unnecessary for the German peace economy and therefore available for reparation shall be made by the Control Council under policies fixed by the Allied Commission on Reparations, with the participation of France, subject to the final approval of the Zone Commander in the Zone from which the equipment is to be removed.

7. Prior to the fixing of the total amount of equipment subject to removal, advance deliveries shall be made in respect to such equipment as will be determined to be eligible for delivery in accordance with the procedure set forth in the last sentence of paragraph 6.²

² In an earlier draft apparently considered by the Drafting Committee paragraph 7 reads as follows: “7. Prior to the fixing of the total amount of equipment subject to removal, advance deliveries will be made in respect to such equipment as will be determined to be eligible for delivery by the Allied Reparations Commission with the confirmation of the Control Council.” A footnote to the entire paragraph reads as follows: “Proposed by U. S. S. R. representative. Not accepted by U. S. and U. K. representatives.” Cf. document No. 970.

No. 973

740.00119 (Potsdam)7-3145

The Secretary of State to the Soviet Foreign Commissar (Molotov) ¹

[BABELSBERG,] August 1, 1945.

MY DEAR MR. MOLOTOV: The United States Zone Commander has informed me that he now holds in the United States zone large amounts of art objects which may be considered in three classes:

a. Works of art taken from the countries overrun by Germany and readily identifiable as publicly owned, and works of art taken from private owners in the overrun countries by seizure and without compensation.

b. Works of art taken from private collectors in the overrun countries for which some compensation is alleged to have been made to the owners.

c. Works of art which were bona fide property of German citizens or institutions.

¹ An identical letter was sent on the same date to Bevin.
Instructions have been issued to the Zone Commander to return the works of art of the first two categories to the governments of the countries of origin as rapidly as arrangements can be effected. With respect to the second category, receipts will be taken indicating the amount of compensation alleged to have been paid by the Germans.

It is contemplated that the third category of works of art will be shipped as rapidly as arrangements can be effected to the United States for care and safekeeping, for which adequate facilities do not exist in Germany. Their eventual disposition will be subject to future decisions.

Very sincerely yours,

[James F. Byrnes]

No. 974

Pauley Files

Draft Memorandum by the Assistant Secretary of State (Clayton)¹

Babelsberg, August 1, 1945.

MEMORANDUM FOR GENERAL CLAY

We request that you urge the Control Council to adopt the attached proposed principle on restitution to supplement the economic principles and the reparation agreement approved by the heads of Government.

W. L. CLAYTON ²

[Attachment]

PROPOSED PRINCIPLE ON RESTITUTION

Removals as restitution shall be governed by the following:

(a) Upon application by any Allied Government, restitution may be made of the following categories of property, wherever found, if such property is identifiable and was removed from occupied territory by the enemy by whatever means:

(i) Heavy industrial and agricultural equipment, and unique machinery;

(ii) Rolling stock and other railroad or transportation equipment;

¹ Pauley reported to Byrnes on August 10 that this memorandum "was not officially given to General Clay but [was] discussed with him and we mutually decided that in its presently proposed form it was incomplete and in view of the circumstances concerning the reparations agreement we should before taking definite action on a proposed definition on policy concerning restitution get the advice of other countries concerned in both restitution and reparation." (File No. 740.00119 E. W./8-1045)

² Space was provided for Pauley's signature also, but Pauley did not sign the draft memorandum. See footnote 1, supra.
(iii) Works of art, religious, historical, educational, or cultural objects, libraries, scientific equipment, and other laboratory or research materials related to organized inquiry into the arts and sciences.

(b) All questions of restitution shall be dealt with on behalf of the injured property owners by the Allied Nations of which they are citizens, unless such Allied Nation shall make other arrangements with the Allied Nation from whose territories the property was removed.

No. 975

BABELSBERG, August 1, 1945.

MEMORANDUM FOR GENERAL CLAY

We request that you urge the Control Council to adopt the attached proposed principle on Allied and neutral property in Germany to supplement the economic principles and the reparation agreement approved by the heads of Government.

Edwin W. Pauley
W. L. Clayton

[Attachment]

PROPOSED PRINCIPLE ON ALLIED AND NEUTRAL PROPERTY IN GERMANY

Ownership by nationals of United Nations or neutral nations shall not impede the carrying out of Paragraph 11 of the Agreement on the Political and Economic Principles to Govern the Treatment of Germany in the Initial Control Period. Removals from Germany of properties of nationals of United Nations or neutral nations shall be governed by the following:

(a) Properties of nationals of United Nations.

(i) Governments of the United Nations shall be invited to submit statements to the Control Council covering the nature and extent of

1 Printed from a copy included in the Pauley–Lubin Report (see document No. 980).

2 An earlier version of this paper, obviously prepared before the renumbering of the paragraphs containing the economic principles in the Protocol, ends this sentence here with the words “Paragraph 10”. With respect to the renumbering referred to, see document No. 1383, footnote 22.

3 Document No. 1383, section II.
property in Germany of their respective nationals, and Allied representatives shall have facilities and free access to such properties for the purpose of investigating claims and appraising properties.

(ii) Where practicable and desired by the government of the owner, removals shall be effected without transfer of title.

(iii) In all other cases, compensation shall be provided by the establishment of Reichsmark deposits to the account of the government of the owners, on the basis of valuations by the Control Council. The country receiving such removed property shall make arrangements, prior to the removals to liquidate such deposit accounts in acceptable foreign exchange in payments spread over a short period of years.

(b) Properties of nationals of neutral nations;

(i) Governments of neutral nations shall be permitted to file with the Control Council statements covering the nature and extent of property in Germany of their respective nationals. Reichsmarks in the amount of the valuations made by the Control Council shall be deposited to the account of such governments by way of compensation.

No. 976

740.00119 Potsdam/8-645

The Secretary of State to the Soviet Foreign Commissar (Molotov)

[BABELSBERG,] August 1, 1945.

MY DEAR MR. MOLOTOV: Now that a definite agreement has been reached between the U. S. S. R., the U. K. and the U. S. on a general tripartite plan of reparations ¹ as required by the Crimea Protocol, ² there remain only the problems of implementing the agreement reached here in Potsdam.

The most important task of determining what shall be removed from the Western zones as reparations and arranging for deliveries of necessary products by the Soviets should go forward as quickly as possible. Since these responsibilities can only be discharged in collaboration with the Allied Control Council, it is obvious that the Allied Commission on Reparations should assemble immediately in Berlin.

I am sure, in view of your desire for the speedy fulfillment of the agreements arrived at, that you will join with me in the decision that the Allied Commission on Reparations should convene in Berlin at once, and I trust you will instruct the Soviet representative on that Commission accordingly.

Very sincerely yours,

[James F.] Byrnes

¹ See document No. 1388, section iii.
² See document No. 1416, section v.
Germany

Editor's Note.—For the final Conference texts on reparations from Germany, as included in the Protocol and Communiqué, see post, pages 1485, 1505.

No. 977

740.00119 EW/8-245

The Soviet Foreign Commissar (Molotov) to the Secretary of State

[Translation]

Berlin, August 2, 1945.

Esteemed Mr. Byrnes, I fully agree with you that the agreement regarding German reparations concluded at the Berlin Conference should be carried out as soon as possible. I also agree that the Inter-Allied Reparation Commission should work in close collaboration with the Allied Control Council in Berlin. With this in view it is incumbent upon it to establish its organization in Berlin. However the permanent seat of the Commission itself should naturally remain Moscow, as was decided at the Crimea Conference.1 So much the more, that, of all the Allied countries, the Inter-Allied Reparation Commission in all its activities will be most closely connected with the Soviet Union on the strength of the important decisions made at the Berlin Conference.

Sincerely yours

V. Molotov

1 See document No. 1416, section v.

No. 978

862.515/8-1445: Telegram

The Assistant Secretary of State (Clayton) to the Secretary of State

SECRET

London, August 14, 1945—8 p. m.

8243. From Clayton.

At Potsdam the Soviets renounced claim to gold captured by Allied troops in Germany.2 Although in practice it may be difficult to enforce this against any gold captured by Soviet forces certainly the term “Allied” includes the Soviet forces and Germany includes the Soviet Zone. There was no discussion or reason to indicate that only SHAEF Command was involved. None of the Big Three powers have implicitly or explicitly renounced a voice in the disposition of the gold. The statement means merely what it says that the Soviet have renounced a claim to the gold. (Reurtel 6784 3)

1 Sent over the signature of Winant.
2 See document No. 1383, section iii, paragraph 10.
3 Not printed.

[No. 978]
We strongly believe in the Gold Pot theory and engaged in informal discussions of this at Potsdam with the British and Pauley. Although the question of first lien on account of US claims was mentioned by Pauley the very tentative view expressed by Sir David Waley was opposed to this. I believe that the Dept is correct in stating that this is impracticable and inadvisable.

I would recommend that the problem of disposition of gold under the Gold Pot doctrine be handled simultaneously with the general problem of restitution in the first instance perhaps by Pauley in the Reparations Commission and then if full agreement is not reached there by Generals Eisenhower and Clay in the Control Council. In this view the French although a claimant would, of course, participate in the discussion. As in all questions eventually requiring action by the Control Council if the Council fails to agree the zone commander will then have to make the decisions.

Sent to Dept as 8243, repeated to USPolAd Berlin for Pauley and Despres as 75 from Winant.

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4 The “gold pot” principle is explained as follows in a report dated February 18, 1946, submitted to the Secretary of State by James W. Angell, United States Delegate to the Paris Conference on Reparation held in November–December 1945 (file No. 740.00119 EW/2–1846):

“This principle recognizes that the countries whose gold was wrongfully taken by Germany are entitled to its restitution. For administrative convenience (since a great deal of the gold is either unidentifiable or bears questionable markings) as well as for reasons of economic policy regarding gold, it was desirable to avoid the restitution of identifiable gold to particular countries. An analogy to explain this seeming departure from the principles of property which normally govern restitution was found in the rule of the Law Maritime regarding losses in a common disaster. Briefly stated, the principle is that if A and B both ship cargo on a particular vessel and during a storm or fire A’s cargo is jettisoned to save the ship, B’s cargo, when it arrives safely in port, must bear a proportionate share of the loss suffered by A. The analogy has proved quite convenient in the presentation of the ‘gold pot’ principle.”

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No. 979

The Assistant Secretary of State (Clayton) and the Director of the Office of Financial and Development Policy (Collado) to the Deputy to the Assistant Secretary of State for Economic Affairs (Thorpe)

SECRET

London, August 16, 1945—5 p.m.

8296. For Thorpe from Clayton and Collado.

The tenor of a number of recent telegrams addressed to us and to Despres by the Department leads us to believe that we should not await our return before giving a few general explanations on the German economic decisions of Potsdam. There appears to be an

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1 Sent to the Secretary of State over the signature of Winant.
unfortunate tendency to interpret the reparations operating agreement \(^2\) as an indication of complete abandonment of four power treatment of Germany. This is not stated in the texts and should not be accepted as a necessary conclusion even though there may be many among the military forces in Germany who believe that a zonal treatment or a tripartite treatment of the western zones will be the only practicable method of operation.

(Sent to Department as No. 8296; repeated to USPolAd Berlin for Despres as No. 80.)

The economic principles \(^3\) specifically provide that the Control Council should attempt to formulate "common policies" covering a variety of important economic questions including the scale of deindustrialization, the scale of reparation deliveries, import and export programs, the standard of living and inter-area distribution of foodstuffs and other supplies. In addition finance communications and transport are recognized to require centralized handling. The reparations agreement does not contradict any of these general principles; it rather provides certain detailed operating decisions and provides for a method of operation within common principles that it is believed will result in less administrative friction and difficulty. It is still necessary to reach common decisions if possible with respect to deindustrialization[.] with respect to the vesting of external assets and their distribution among claimant nations beyond the decisions specifically embodied in the Potsdam Agreement; with respect to restitution; to the treatment of Allied property in Germany; to the treatment of gold regarding which we have sent a separate telegram.\(^4\)

Even within the reparations operating agreement itself it is necessary for the Reparations Commission and the Control Council to reach decisions regarding the scale of demilitarization in the western zones and the schedules of deliveries involved in paragraphs 4 (a) and (b). Procedures for handling this work are now being discussed in Berlin.

We recognized that in practice it may be difficult to arrive at common decisions in the Control Council and in the Reparations Commission on all of the points on which it is hoped common policy will be determined. Moreover we recognized that in practical operation within such policies the zonal treatment will undoubtedly provide less friction. We even recognize that the Soviets may undertake deindustrialization removals in the eastern zone on a scale not parallel to that which will be determined for the western zones. General Clay has however indicated a considerable degree of confi-

\(^2\) Document No. 1383, p. 1485.
\(^3\) Document No. 1383, p. 1488.
\(^4\) Document No. 973.

[No. 979]
dence in his ability to work out at least some common policies in the
Control Council and such efforts should obviously not be abandoned
prematurely.

We believe it desirable to outline in a little more detail our views
as to the handling of sections 4 (a) and (b) of the reparations agree-
ment. The 10% of removals is of course clear reparation for the
Soviets and Poles. The 15% of capital goods and the raw
materials to be exchanged for them are also to be considered reparations
goods. Thus items received by the US and UK from the Soviets in
this category are available in the first instance as reparations to the
western occupying powers or through them to other reparations
claimants. If it is necessary and desirable to utilize the products
within the western zones such amounts of the products shall be
considered as new imports from the western reparations claimants
and as such subject in [to?] the usual first charge on exports.5

5 For the paragraphs omitted here, see document No. 892.

No. 980

740.001/0 EW/9-2045

The Representative on the Allied Commission on Reparations (Pauley)
and the Associate Representative on the Allied Commission on Repara-
tions (Lubin) to the President 1

[Extract]

SECRET

[WASHINGTON, September 20, 1945.]

REPORT ON GERMAN REPARATIONS TO THE PRESIDENT OF THE
UNITED STATES, FEBRUARY TO SEPTEMBER 1945

PART V. TRIPARTITE CONFERENCE AT BERLIN
(JULY 16 TO AUGUST 2, 1945)

The decision to submit the question of a reparations plan and
reparation policies to the Berlin Conference was clearly forecast in
the letter of the US Representative on the Allied Commission on
Reparations of July 3, 1945 addressed to the Soviet Representative.2
(See Appendix 17 3)

Ambassador Pauley left Moscow for Berlin on July 14. He was
accompanied by Minister Isador Lubin, J. R. Parten, Chief of Staff,
J. Howard Marshall, the General Counsel, and Dr. Luther Gulick,

1 This report, drafted and compiled in large part by Gulick and DuBois, dealt
with negotiations on the German reparations question from February to Sep-
tember 1945. The only section here printed is part v, which is a summary of
the reparations negotiations at the Berlin Conference.
2 Ivan Mikhailovich Maisky.
3 Document No. 384, printed in vol. 1.
Advisor on Governmental Organization. Upon arrival in Berlin a series of meetings were commenced with Assistant Secretary of State Clayton and his advisors, Mr. Emile Despres and Mr. Emilio G. Collado, as to the best means of submitting to the Big Three the reparations problem—both that part of the reparations program which had been agreed upon and those parts of the program upon which agreement had not been reached.

It was concluded that definitive United States proposals on reparations should be included as part of the United States Proposed Agreement on the Political and Economic Principles to Govern the Treatment of Germany in the Initial Control Period. Accordingly, there was attached to the proposed agreement Annex I on German Reparations which included the seven principles upon which the Allied Commission on Reparations had agreed together with the eighth proposed principle containing the prior charge of imports on exports with an argument in support of such principle; the agreed upon division of shares between the USSR, UK and US; and the agreed upon procedure for divisions of reparation shares among countries other than the UK, US, and USSR. In addition there was included proposed definitions of restitution, war booty and reparations, as follows:

[Here follows the text of attachment 2 to document No. 894.]

On these latter points of definition, of course no agreements had been reached in the Allied Commission on Reparations and in connection therewith it was stated in Annex I "the United States Government feels that the definition of restitution, war booty, and reparations are so interrelated with the formulae for allocation of reparations that agreement must be reached on all of these matters simultaneously."

The following should particularly be noted in the Annex above referred to:

"The Commission has failed to reach agreement on the underscored last clause of an eighth principle:

'After payment of reparations, enough resources must be left to enable the German people to subsist without external assistance. In working out the economic balance of Germany, the necessary means must be provided for payment of imports approved by the governments concerned before reparation deliveries are made from current production or from stocks of goods.'"

"The United States Government fully concurs in these principles and must insist that such necessary imports as are approved by our governments shall constitute a first charge against exports from Germany of current production and stocks of goods. To do otherwise

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4 Document No. 852.
5 Document No. 894.
6 The passage here represented by italics was underscored in the source copy.
will lead either to a repetition of our mistakes at the end of the last war, or leave us unable to bring about the desired industrial disarmament of Germany."\(^7\)

Thus Annex I on reparations became a part of the US proposal for Germany at the first meeting of the Big Three.\(^8\)

The so-called economic principles of the US proposal including the annex dealing with reparations, were referred by the Big Three to the Committee of Foreign Ministers. The Foreign Ministers in their turn referred these matters to an economic sub-committee.\(^9\) This sub-committee was headed, insofar as the US Delegation was concerned, by Assistant Secretary of State Clayton. Included also was Ambassador Pauley sitting in a dual capacity both as the American Representative on the Allied Commission on Reparations and as a personal advisor to the President on economic matters. Minister Isador Lubin likewise attended the meetings of this Economic Sub-Committee as the Associate of Ambassador Pauley on Reparations and certain members of the US Delegation on Reparations, usually Mr. Parten and Mr. Marshall, attended. Sir Walter Monckton, Sir David Waley, and Mr. Mark Turner attended the meetings of the Economic Sub-Committee and spoke for the British. These three had been in Moscow as part of the British Delegation on the Allied Commission on Reparations. Mr. Maisky and Mr. Sabouroff together with the various other advisors attended the meetings of the Economic Sub-Committee and spoke for the Soviet Union. These representatives likewise had represented the USSR on the Allied Commission on Reparations in Moscow.

The Economic Sub-Committee of the Council of Foreign Ministers tried in vain to resolve the question of approved imports as a “first charge” on exports. The question was referred to the Committee of Foreign Ministers where, likewise, no agreement was reached.

On numerous occasions during the course of the reparation discussions in this Economic Sub-Committee the Soviet representatives were asked for their definition of “war booty” which they undertook to submit during the latter part of the discussions which had occurred in Moscow. Finally Mr. Maisky submitted late on the evening of July 21 a proposed Soviet definition of war booty which he styled “War Trophies” as follows:

“1. All military supplies and equipment of Germany, including all supplies and military equipment, which belong, being used or have to be used by the military and para military units of the enemy or by the members of these units;

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\(^7\) Cf. document No. 894.

\(^8\) See ante, p. 52.

\(^9\) See ante, pp. 53, 70, 71, 76.
"2. All supplies and equipment used by the enemy to satisfy his military needs and captured by the Allies before the end of the war on territories where military operations were conducted."

Obviously section 2 of the foregoing definition was exceedingly broad. In response to specific questions both by Sir Walter Monckton and Ambassador Pauley, Mr. Maisky indicated that the Soviet regarded such equipment as textile mills, shoe factories, and coal mines to constitute war trophies if at any time they were used to supply any of the military needs of the German Armed Forces. Mr. Maisky admitted that this definition would leave little for "reparations" if strictly applied throughout Germany. He suggested, however, that merely because a nation had a right to claim war booty on the foregoing broad basis, it did not mean that the right could not be "waived" which would leave more in the way of capital goods for reparations. Both Sir Walter Monckton and Ambassador Pauley indicated, as the meeting adjourned, that this hardly seemed a satisfactory method of approaching the problem.

Following the presentation of the Soviet's proposed definition of war trophies the US Delegation to the Allied Commission on Reparations came to the conclusion that an "overall percentage" allocation of shares as between the Big Three was no longer feasible. The division of reparations as applied to Germany as a whole would have to be abandoned for some less controversial method of dividing what would be removed as reparations among the nations entitled to reparations.

The US Representative came to this conclusion because:

1. Already there had occurred a "fait accompli" by which the Poles, with the consent of the Soviets, had occupied a substantial part of Germany lying east of the Oder-Neisse line from which area a substantial amount of reparations had been expected when the 56-22-22 percentage formula had been tentatively agreed upon.  
2. The USSR definition of "war booty" or "war trophies" was so broad that if accepted it would tend toward endless controversies between the Soviet Representatives and the representatives of the Western Powers holding very different views as to what might properly be classified as war booty.
3. Detailed first-hand surveys in the American and British zones of occupation in Berlin as well as in the Russian areas of the city, particularly by Gulick and Marshall, showed conclusively that Soviet removals of plants of both heavy and light industry alike had already taken place or were in the process in Berlin with the result that, if practiced uniformly, little if anything would be left to move from east to west as reparations or to support an agreed German economy."

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10 Cf. document No. 904.
11 See documents Nos. 894 (attachment 3), 915, 918, and 931.
12 See documents Nos. 929 and 940.
In the course of the next week the plan was gradually evolved for the division of reparation shares as between claimant nations to be made upon a zonal basis. Throughout the discussion that follows one should bear in mind that the zone plan as evolved and finally adopted did not contemplate separate reparation plans to be applied to a dismembered Germany. Rather it is simply an alternative method of dividing the total amount of reparations among the various nations as a more practical means of division than the agreed percentage formula arrived at in Moscow which was contemplated to apply to the whole of Germany as of 1937 boundaries.

The nature of the plan submitted was based on data submitted by the US Representative. These data were directed to ascertain the percentages of industrial and agricultural resources estimated to exist in the Eastern Zone of occupation (including that part of the Alt Reich lying east of the Oder–Neisse line) and the Western Zones. The final percentage of so-called “free” deliveries allowed the Soviets from the Western Zones was predicated in a large measure upon these estimates. It was sufficient to allow the USSR approximately 50% of the total removals as reparations to which approximate percentage ever since the Crimea Conference neither the US nor UK ever raised serious objection.

The US proposal for a zonal division of reparation shares was first formally submitted to the Economic Sub-Committee of the Foreign Ministers on July 25th. It had been informally discussed both in this Sub-Committee and between Secretary Byrnes and Mr. Molotov prior thereto. The first draft of the US proposal, to which the British had informally subscribed, was as follows:

[Here follows the second section of document No. 925.]

Subsequently, after considerable discussion and trading back and forth the U.S. proposal was amended by the addition of the following which introduced the idea of USSR and Poland securing additional capital equipment from the Ruhr industrial area in Germany partly in exchange for raw materials to be provided by the Soviet and partly without any obligation to deliver commodities in exchange for capital removals:

[Here follows the text of document No. 966.]

Negotiation between Ambassador Pauley, Mr. Byrnes and Mr. Molotov brought the matter to the point where the Soviet expressed a preference for the right to secure removals both as reparations and in exchange for raw material deliveries not just from the Ruhr but from all of the western zones of occupation. In accordance at the end with the informal agreement of the British it was suggested to modify the US proposal further by adding the following:

13 See documents Nos. 930–936.
14 See ante, p. 275.
"d. Implementing the foregoing programs, the reparations claims of the USSR and Poland shall be satisfied by removals from the zone of Germany occupied by the USSR, plus

"(a) 12½ percent of such industrial capital equipment as is unnecessary for a peace economy, and should be removed from the zones of Germany occupied by the US and UK in exchange for an equivalent value of food, coal, potash, zinc, timber, clay products, petroleum, and petroleum products, and such other commodities as may be agreed upon, to be made available to the US and UK by the Soviets.

"(b) 7½ percent of such industrial capital equipment as is unnecessary for a peace economy, and should be removed from the US and UK zones, to be transferred to the Soviet Government without payment or exchange of any kind in return.

"Removals of industrial capital equipment shall be completed within two years of the date hereof in exchange for products to be delivered within five years of the date hereof. The determination of the amount and character of the industrial capital equipment unnecessary for a peace economy and therefore available for reparation shall be made by the Allied Commission on Reparations with France added working in consultation with the Control Council subject to the final approval of the zone commander in the zone from which the equipment is to be removed."

As the discussions proceeded at the Foreign Ministers level with respect to the proposal for the division of reparation shares on the basis of the additional 12½ and 7½ percent for the Soviet and Poland, the USSR raised various questions as to the division of German external assets, gold captured by the Allied Armies in Germany and their claim for a share interest in corporate assets of German enterprises like railroads which would necessarily be left in Germany. In consideration of an agreement on the part of the USSR to renounce any interest by way of reparations in the foregoing three types of property the 12½ and 7½ percentages were raised to 15 and 10 percent respectively. At the very last moment a question arose between Mr. Vyshinski and Mr. Gromyko on the one hand and Mr. Clayton and Mr. Pauley on the other when the Soviet draftsman insisted that the USSR had only renounced its claim to German external assets lying west of their zone of occupation. This argument was finally compromised by deciding certain specific countries in which the western powers renounce any claim to German external assets and provided [and by providing?] that the USSR renounce its claim to German external assets in all other countries.

As put forward by Secretary Byrnes the US proposal on the actual percentages of reparations to be delivered to USSR and Poland

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15 See the second section of document No. 925 for paragraphs a–c to which this paragraph d is related.

[No. 980]
from the western zones after agreement had been reached in principle, [and?] the USSR [had?] renounced its claim to external assets and gold, follows:

[Here follows the text of document No. 961.]

And Secretary Byrnes also submitted the following as a first draft method of determining the amount and character of industrial capital equipment which should be removed from Germany as reparations:

“The determination of the amount and character of the industrial capital unnecessary for a peace economy and therefore available for reparation shall be made by the Allied Commission on Reparations with France added working in consultation with the Control Council subject to the final approval of the zone commander in the zone from which the equipment is to be removed.”

There are certain significant variations between the foregoing first drafts of the proposed language of the reparations plan [and the plan] as it finally appeared in the Berlin Protocol. 17

1. The determination of the amount and character of removals originally proposed to be vested in the Allied Commission on Reparations was changed to provide that this function should be vested in the Control Council.

2. There were omitted the general policies to govern reparation removals, originally included in the plan submitted to the Economic Sub-Committee which were derived from the principles adopted by the Allied Commission on Reparations [with the exception of the first charge] in Moscow. These policies were stricken at the request of USSR on the ground that such policies were already embodied in the economic principles and the Soviet Delegation at the last moment had accepted the principle of imports as a first charge on exports.

3. Although as originally proposed by the USSR the matter of interim or “advanced” deliveries was to be determined by the Allied Commission on Reparations, this was modified in the final discussions with Mr. Vyshinski and Mr. Gromyko in the evening before the Protocol was adopted to provide that the eligibility of capital equipment for advanced deliveries would be determined by the Control Council.

One further important matter should be noted with respect to those provisions of the Berlin Protocol which relate to the fifteen percent of certain capital equipment to be delivered by the USSR, “in exchange for an equivalent value of food, coal, potash, zinc, timber, clay products, petroleum products, and such other commodities as may be agreed upon.”

Although the Protocol does not specify the source of the foregoing commodities in so many words, it should be noted that the obligation to deliver was placed upon the Soviet Union—not upon the Eastern

16 Cf. document No. 962. The chronology of the Pauley-Lubin Report with respect to the last four proposals quoted is at variance with the minutes and the documents circulated at the Conference.

17 Document No. 1383, section iii.
Zone of Germany. The clause in question should be read in the light of the background of discussion at the Potsdam Conference, which preceded its inclusion in the Berlin Protocol. That discussion revolved about ways and means whereby compensation could be provided for the deficit in the German economy resulting from splitting off, on motion of the Soviets, that part of Germany lying east of the Oder–Neisse line.

At one time in the course of negotiations the words “petroleum and petroleum products” were included in the commodities to be delivered by the USSR. These commodities were not included in the Soviet-Polish Trade Treaty. They were originally included in a proposed draft of the Berlin Protocol by Ambassador Pauley as a continuation of his efforts in the Economic Sub-Committee to obtain fifty thousand barrels of crude oil per day from Austria, Hungary and Rumania in order indirectly to increase the supply of petroleum and petroleum products to the US and UK for waging war in the Pacific. Originally it was proposed that this crude oil be supplied by the Soviet Union either on reverse lend lease or for purchase but only this USSR was not ready to agree. The injection of petroleum and petroleum products into the draft of the Berlin Protocol as commodities to be supplied in exchange for capital removals was thought by Ambassador Pauley to be one way of meeting the problem. On the evening before the Protocol was finally adopted Mr. Clayton consented at the request of Mr. Vyshinski to a phrasing which read “petroleum or petroleum products” and later it was agreed to strike the first word “petroleum”, thus leaving “petroleum products.”

The US Representative also pressed for the adoption of paragraph 18 of the Economic Principles, which provides:

“Appropriate steps shall be taken by the Control Council to exercise control and the power of disposition over German-owned external assets not already under control of United Nations which have taken part in the war against Germany.”

After this provision was agreed upon, the US Representative submitted to the President for his signature a memorandum requesting General Clay to press immediately for the adoption of a decree by the Control Council, vesting German external assets. A suggested form of decree was forwarded with the memorandum. The text of the memorandum and proposed decree is contained in Appendix 24.

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18 See ante, p. 406, footnote 3.
19 See documents Nos. 1316–1326.
20 See document No. 1383, section II, paragraph 18.
21 See document No. 1003; cf. document No. 998. Only the attachment to document No. 1003 is reproduced in appendix 24 to the Pauley–Lubin Report.
Articles III and IV respectively of the Berlin Agreement contain The Political and Economic Principles To Govern the Treatment of Germany in the Initial Control Period and Reparations From Germany. This portion of the Berlin Agreement is set forth in Appendix 3 hereof. Paragraph 6 of Article IV in part reads:

"The determination of the amount and character of the industrial capital equipment unnecessary for the German peace economy and therefore available for reparations shall be made by the Control Council under policies fixed by the Allied Commission on Reparations, with the participation of France, subject to the final approval of the Zone Commander in the Zone from which the equipment is to be removed."

Paragraph 7, Article IV, reads as follows:

"Prior to the fixing of the total amount of equipment subject to removal, advance deliveries shall be made in respect of such equipment as will be determined to be eligible for delivery in accordance with the procedure set forth in the last sentence of paragraph 6."

These quoted provisions, together with the other provisions of Article IV and the provisions of Article III, furnish the basis of the agreed plan of reparations. This plan is to remove all industrial equipment unnecessary for the German peace economy, as determined in accordance with the principles set forth. Many of the "policies fixed by the Allied Commission on Reparations" are contained in the Berlin Agreement. Naturally other policies will be required of the "Allied Commission on Reparations, with the participation of France", which logically should be undertaken when and as the occasion arises by meetings of the Allied Commission on Reparations in Berlin. This is desirable, though it will require the removal of the seat of this Commission from Moscow, because the closest contact will be required between [what?] the administration of the Allied Control Council in order that the physical facts which it develops will be available to the Commission. This circumstance was the basis for the US recommendation that the Allied Commission on Reparations move its seat to Germany and preferably to Berlin. At the request of the Zone Commander the US Representative drafted an interpretive memorandum styled Memorandum on the Provisions of the Berlin Protocol Relating to Reparations, and before his departure from Berlin on August 20, 1945, filed a copy of same with the Zone Commander, with a covering letter stating that after this draft was gone over with the affected agencies in Washington, a final draft would be drawn and officially transmitted to him. This memorandum has been completed and contains a comprehensive

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22 i.e., the Communiqué (document No. 1384).
23 Not printed as such. See document No. 1384.
24 See document No. 976.
25 Not printed.
analysis of the reparation plan, together with historical background of the discussions and considerations that led to the several provisions, and is attached hereto as Appendix 30.\textsuperscript{23}

\textsuperscript{23} Not printed.

\section*{EXTERNAL ASSETS}

\textbf{No. 981}

\textit{800.515/7-1645: Telegram}

\textit{The Director of the Office of Financial and Development Policy (Collado) to the Acting Chief of the Division of Economic Security Controls (Oliver)}

\textbf{SECRET}

\textbf{BABELSBERG, July 16, 1945.}

\textbf{VICTORY 23. For Oliver ES from Collado.}

Please bring us up to date on progress in controlling German external assets especially in Spain since Department’s 5499 of July 6th to London\textsuperscript{1} and your memorandum of July 7.\textsuperscript{2}

\textsuperscript{1} Document No. 383, printed in vol. 1.

\textsuperscript{2} Document No. 384, printed in vol. 1.

\textbf{No. 982}

\textit{800.515/7-1745: Telegram}

\textit{The Acting Secretary of State to the Chargé in the Soviet Union (Kennan)}

\textbf{SECRET}

\textbf{WASHINGTON, July 17, 1945—7 p. m.}

\textbf{U. S. URGENT}

1629. British have now agreed to proposal outlined Deptstel 1316 June 15.\textsuperscript{1} Spanish situation urgent. Reurtel 2570 July 14 \textsuperscript{2} inform Soviet we assume their concurrence in view of reports from Ankara and Stockholm that Soviet has so warned Turks and Swedes. Make point 5 of Deptstel 1534 July 6 \textsuperscript{3} if can conveniently do so. For your information Dept proposes to continue stressing coordinated action and maintenance of trusteeship principle. This would preclude particular occupying power from disposing of German external assets to its own advantage. American expressions to Soviet regarding German Legation property Stockholm and German shares Rumanian oil companies will probably make these points.

Sent to Moscow, repeated to SecState Berlin for Collado and Despres.

Grew

C[ovey] T. O[liver]

\textsuperscript{1} See vol. 1, document No. 382, footnote 1.

\textsuperscript{2} Document No. 326, printed in vol. 1.

\textsuperscript{3} See vol. 1, document No. 383, footnote 1.
The Acting Chief of the Division of Economic Security Controls (Oliver) to the Director of the Office of Financial and Development Policy (Collado) ¹

SECRET

[WASHINGTON,] July 17, 1945.

44. For Collado from Oliver.

Chief development is that British have agreed to join in warnings to neutralists. Madrid reports that Spanish have instructed Ambassador here² to take up with Department question of German subsidiaries in Spain which Franco, through Instituto Nacional de Industria, a government development corporation, wishes to acquire. (Reurtel 23 July 16³) Department has asked urgently for French concurrence to Department’s original proposal. Regarding Russians, Moscow has been instructed to inform Russians we assume tacit approval from Russian unilateral action in Turkey and Sweden.⁴

Department will probably recommend to SecState that German external assets in Rumania, Hungary and Bulgaria be included within four-power trusteeship principle. Department will also object to Russian attempt to acquire German Legation buildings at Stockholm on reparation account, pointing out to Russians that regarding German properties in western European neutrals British and ourselves have scrupulously adhered to principle that particularized advantage should not be obtained by any one of occupying powers.

ES is now discussing a preamble to vesting decree such as was suggested by telegram⁵ sent to you by courier July 13.

Discussions with Swiss Chargé⁶ indicated utility of deletion⁷ as bargaining point re neutral recognition control German external assets. Swiss wished deletion Scintilla A. G., in which there is majority German interest. Swiss were told deletion impossible until our control over German interest established. Chargé indicated Swiss would perhaps help us establish such control.

¹ Sent to the Secretary of State at Babelsberg over the signature of Grew.
² Juan Francisco de Cárdenas.
³ Document No. 981.
⁴ See document No. 982.
⁵ Not identified.
⁶ Max Grüssli.
SECRET

[WASHINGTON,] July 18, 1945.

56. (For Assistant Secretary Clayton.)

Bucharest has seen a letter from Russians to Rumanian Prime Minister informing latter that German-held shares in Rumanian oil corporations "pass into the patrimony of the Soviet Union as partial compensation for damages caused to USSR by Germany." Objectionable features of this are obvious. It (1) asserts Soviet desire for share interests as reparation or otherwise; (2) manifests USSR intention to obtain exlosurenary control Rumanian oil industry; (3) bypasses current Four Power discussions regarding treatment of German assets in ex-enemy and neutral countries from economic security and reparations points of view; and (4) raises serious question regarding looted property.

Accordingly, it is suggested that positive steps be taken at Potsdam Conference to forestall this action.

In addition to basing our objections to proposed Russian action upon as many of the foregoing grounds as can be mentioned to Russians, following arguments could be advanced:

(1) No shares can be subjected to control or disposition as German by Soviet for its individual advantage unless it is established that they were not acquired by the Germans in looting transactions outlawed by United Nations' declaration of January 5, 1943. It might be added that US would have to be satisfied that particular shares were not United Nations' property which had been looted by Germans; (2) shares which have met above burden of proof (i.e. shown conclusively to have been German owned through legitimate transactions) should be governed by general principles to be established by Four Powers regarding treatment of German assets in ex-enemy or neutral countries. It should be emphatically denied that such assets in Rumania pass into patrimony of USSR alone as compensation by Germany for war damage. US cannot admit competence of USSR to assert unilaterally ownership rights to German assets in ex-enemy or neutral countries. Without exception US has treated such assets coming within its control in these countries as subject to trusteeship on behalf of all four occupying powers. Similar standard of conduct expected of Soviet Union and must be strongly insisted upon. It should be obvious to Soviet Government that in three neutral Western European countries, German external assets will be principally under control of British and ourselves.

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1 Sent to the Secretary of State at Babelsberg.
2 Petru Groza.
3 See vol. I, document No. 385.

[No. 984]
(3) Article 8 of Rumanian Armistice ⁵ pledges the Rumanian Government not to allow the expropriation of any form of German property without the permission of the Allied (Soviet) High Command. While we recognize that protests can hardly be based on actual wording of this article, this Government maintains control should be exercised on behalf of and with respect to interests of other United Nations, particularly since Article 18 provides that Allied (Soviet) High Command, in controlling execution of Armistice, acts on behalf of the Allied Powers.

Please inform Harriman and Pauley. Inform whether this message should be repeated to Moscow and Bucharest for information.

[Grew]

⁵ Signed at Moscow, September 12, 1944 (Executive Agreement Series No. 490; 59 Stat. (2) 1712).

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No. 985

800.5157-1945 : Telegram

The Chargé in the Soviet Union (Kennan) to the Acting Secretary of State ¹

SECRET

Moscow, July 19, 1945—8 p. m.

2628. 1. Embassy has prepared in collaboration with Rubin and transmitted note to Foreign Office in accordance with instructions given Depts 1629, July 17. ² Substance of note refers to previous communication addressed to Soviets on June 18 ³ and to lack of answer thereto, and states that in view of reported action of Soviets in Ankara and Stockholm, as reported in Depts reference telegram, and in view of general urgency of matter US Govt has had to assume that Soviets have no objection to action described in letter of June 18. Note repeats statement of necessity for action to prevent dissipation and concealment of German assets, states that similar steps have already been taken with respect to German official properties in Spain, and states US Govt in collaboration with British will shortly present démarche to Spanish.


2. Rubin and DuBois have been instructed by Pauley to proceed to Berlin and plan to depart July 20 and to take with them copy of Embassy’s note. Immediately following airgram ⁴ contains text of note.

¹ The same message was sent directly to the Office of the Political Adviser at Frankfurt for transmittal to the United States Delegation at Babelsberg.

² Document No. 982.

³ See vol. 1, document No. 382, footnote 1.

⁴ Document No. 997.
3. Would be helpful to Embassy if Dept would indicate exact nature of representations made by Soviets in Stockholm and Ankara as well as whether it is planned immediately to make démarche to Spanish whether French will participate and other details.
4. British here appear to have received no instructions.

KENNAN

No. 986

740.00119 EW/7-2145 : Telegram

The Representative on the Allied Commission on Reparations (Pauley) and the Assistant Secretary of State (Clayton) to the Acting Secretary of State

SECRET

BABELSBURG, July 21, 1945.


In view of note presented by AmEmbassy Moscow to Soviet [Government] 2 based on your July 18 [77] telegraphed instructions re Spanish situation, 3 believe it highly desirable to repeat to Moscow your telegram 56, July 18, re Rumanian oil shares. 4 Also believe desirable to repeat to Moscow details of Soviet negotiations re German property in Stockholm, both in case of Soviet questions on note presented by Embassy. See no reason not to repeat telegram re Rumanian oil shares to Bucharest.

American delegation is presenting to conference its view that a declaration should be issued by US, UK, USSR, and if possible France, declaring German external assets subject to jurisdiction of powers occupying Germany and of ACC, and naming diplomatic representatives of occupying powers as agents for both. 5 Rubin and Dubois here working on text of proposed vesting decree with view to presenting decree to US Group CC for presentation to ACC. 6 ES comments being considered.

1 Sent over the signature of Byrnes.
2 See documents Nos. 985 and 997.
3 Document No. 982.
4 Document No. 984.
5 For the text of the proposal presented by the United States Delegation on July 30, see document No. 1000.
6 See the attachment to document No. 1003.

[No. 986]
No. 987

United States Delegation Working Paper

[Undated.]

MEMORANDUM ON GERMAN EXTERNAL ASSETS

The United States believes it important that immediate action be taken to obtain control and the power of disposition over German external assets, particularly in neutral countries. This is necessary not only from the standpoint of security but also to preserve such assets for Allied objectives.

It is therefore urged that an appropriate declaration be issued by the United States, United Kingdom and Soviet Union, and if possible France, assuming jurisdiction over such assets.

It is recommended that this matter be referred to the Economic Subcommittee for immediate attention.

1 Authorship not indicated.

No. 988

Pauley Files

United States Delegation Working Paper

[BABELSBERG, JULY 22, 1945.]

MEMORANDUM BY US DELEGATION

It is the view of the United States that a declaration should be issued by the Conferring Powers and by France to the effect that German external assets are subject to the jurisdiction of the Powers occupying Germany,2 and of the ACC, acting through the diplomatic representatives of the occupying Powers. Such a declaration would be of invaluable assistance in obtaining control over German external assets, especially those located in neutral countries and such countries as Turkey and Argentina. The declaration should be in such form that it may readily be adhered to by France and it should be presented to France with a view to joint issuance by the four occupying Powers.3

1 So dated in a manuscript notation which also contains Rubin's initials.
2 Another version of this memorandum in the Pauley Files, dated July 21, reads: "of the occupying Powers of Germany".
3 The version referred to in the preceding footnote reads: "by France and the U. S., U. K., and U. S. S. R."
Should France demur, the declaration should be issued by the Con-
ferring Powers alone, as an outgrowth of the Potsdam Conference.

[Attachment]

[BABELSBERG,] July 22, 1945.

TEXT OF PROPOSED DECLARATION

at Potsdam [and having concerted with the Government of France],
the following declaration is issued:

The Governments of the U. S., U. K., U. S. S. R. [and France] de-
clare that German external assets, not already under the control of
United Nations which have taken a direct part in the war with Ger-
many, are subject to the jurisdiction of the Powers occupying Germany
and of the Allied Control Council.

All countries in which such assets are located are hereby called upon
to place such assets at the disposition of the occupying Powers and of
the Allied Control Council. The diplomatic representatives of the
Powers signatory to this Declaration will act as their representatives
and as the representatives of the Allied Control Council in obtaining
control and the power of disposition over such assets, for such use as is
determined to be in the interests of security and other Allied objectives.

The Allied Control Council and such representatives shall take such
action as may be appropriate to carry out the purposes of this
declaration.

4 These brackets and those in the following paragraph have been inserted in
pencil on the source copy.

No. 989

7/1119 Potsdam/7-1845: Telegram

The Acting Secretary of State to the Assistant Secretary of State
(Clayton) 1

SECRET

[WASHINGTON,] July 24, 1945.

115. (For Clayton.)

For your information and with reference Department’s 56 of July
18, 2 Bucharest reports Soviets now demand German bank stocks
in Rumania.

[GREW]

1 Sent to the Secretary of State at Babelsberg.
2 Document No. 984.

[No. 989]
Department of the Army Files: Telegram

The Military Attaché in Sweden (Kessler) to the War Department

SECRET

PRIORITY

667. For ComGenAir MilID Washington D. C.

Russian Delegation here conducted survey of interned German aircraft presumably those coming here from German Soviet front. Russians propose to fly these out shortly as war booty. Their plans have been publicized in newspapers. See my 591 of 26 June and your 28542 of 7 July.2 Newspapers also carried item that neither UK or US have made request concerning remainder.

Kessler

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1 Received by the United States Delegation to the Berlin Conference on July 25 as a retransmission from the War Department.
2 Neither printed.

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No. 991

$00.515/6-1545: Telegram

The Acting Secretary of State to the Minister in Switzerland (Harrison)

RESTRICTED

WASHINGTON, July 24, 1945—6 p. m.

U. S. URGENT

2381. Formally notify FO that powers occupying Germany claim title to or control of German owned or German controlled assets (repeated to London as 462 and Paris as 409) and request that Govt to which you are accredited take no action which would conflict with this control which must be recognized as having come into existence. ReDept 2042 to you of June 15 (1137 to Stockholm, 988 to Lisbon, 618 to Ankara, 4828 to London, 2768 to Paris, 1316 to Moscow).2 Brit have agreed to foregoing specifically for neutrals and French have indicated will instruct their Missions to join US–UK in warnings of this nature. Russians have been informed we assume their consent from Russian actions at Ankara and Stockholm. Inform your colleagues representing occupying powers of your proposed action and ask them to take identical steps. Madrid has already acted. Ankara to await parallel Brit instructions.

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1 The same message was sent at the same hour to the Minister in Sweden (Johnson) as telegram No. 1416; to the Ambassador in Portugal (Baruch) as telegram No. 1218; and to the Ambassador in Turkey (Wilson) as telegram No. 759.
2 See vol. 1, document No. 382, footnote 1.
No. 992

Pauley Files

United States Delegation Working Paper


U. S. PROPOSALS

That the declaration on reparations and related matters be amended with reference to German owned external assets as follows:

Appropriate steps shall be taken to exercise control and the power of disposition over German owned external assets, in cases where this power is not already exercised by any one of the United Nations, which has directly participated in the war.\(^1\)

\(^1\) Authorship not indicated.
\(^2\) Another copy of this paragraph in the Pauley Files is dated July 27.

No. 993

800.5157-2545: Telegram

The Representative on the Allied Commission on Reparations (Pauley) to the Minister in Sweden (Johnson)\(^1\)

Babelsberg, July 25, 1945.


There is presently under consideration at Berlin Conference proposal for declaration of power over German external assets, whose issuance in near future however seems doubtful. Reuter giving reaction Rubin's telegram July 19.\(^2\) Draft decree vesting in agency operating within framework of ACC all right, title and interest in German external assets also under consideration.\(^3\) As decree now stands it would automatically vest such interest, and would be exercise of its power to vest by ACC. Text of proposed decree being sent Legation by pouch. Proposed to turn decree over to US Group CC for consideration and presentation to other ACC members.

\(^1\) Printed from the text received in the Department of State.
\(^2\) Not printed.
\(^3\) See the attachment to document No. 1003.
Necessity for some formal action establishing right of Allied governments to supervise and control important German external properties, especially in countries like Spain, Portugal and Switzerland, makes exercise of vesting power desirable.

This telegram cleared with Clayton.

No. 994

800.515/7-2545: Telegram

The Acting Chief of the Division of Economic Security Controls (Oliver) to the Director of the Office of Financial and Development Policy (Collado) ¹

SECRET [WASHINGTON,] July 25 [1945.]

122. For Collado from Oliver.

Our Embassy Madrid jumped gun and joined with Brit in formally notifying Spaniards that powers occupying Germany “claim title to or control of German owned or German controlled assets and requesting that Spanish Govt take no action which would conflict with this control which must be recognized as having come into existence.” This is limit of Brit agreement at this time. Brit do not wish to mention ACC or any other body as source of authority. Fortunately French had grudgingly consented to joint warnings before Madrid acted. Dept has now instructed Missions in Stockholm, Bern, Lisbon and Ankara to take similar steps. ² Would have preferred slight variation in Madrid’s wording, but Brit here said changes would have to be referred again to London. Action at Ankara must await British concurrence.

¹ Sent to the Secretary of State at Babelsberg over the signature of Grew.
² See document No. 991.

No. 995

800.515/7-2745: Telegram

The Acting Chief of the Division of Economic Security Controls (Oliver) to the Chief of the Division of Economic Security Controls (Rubin) ¹

SECRET [WASHINGTON,] July 27 [1945.]

147. For Rubin from Oliver.

AmLegation Bern believes that démarche on Swiss reported Deptel VICTORY [sic] 122 July 25 ² would tend to discourage Swiss cooperation in tracing and disclosing German assets. Bern adds that unlike Spain there is little prospect of dissipation in Switzerland. A similar reaction it is predicted will be received from Stockholm. Would

¹ Sent to the Secretary of State at Babelsberg over the signature of Grew.
² Document No. 994.
appreciate your reactions based on Bern visit. ES considers Swiss already aware of our general position. Recently Swiss Chargé urged deletion of Scintilla, majority stock in which is German [see]. Oliver told him control under Swiss freezing decree not sufficient for deletion and intimated occupying powers would have to consider their rights to German shares. Chargé intimated Switzerland would help if deletion could be expected. At this stage consider telegrams from various sources apt to confuse missions. Suggest your reply be sent only to Department.

8 From the Proclaimed List of Certain Blocked Nationals.

No. 996

800.5157-2745 : Telegram

The Acting Chief of the Division of Economic Security Controls (Oliver) to the Director of the Office of Financial and Development Policy (Collado) and the Chief of the Division of Economic Security Controls (Rubin)¹

SECRET

[WASHINGTON,] July 27 [1945.]

148. For Collado and Rubin from Oliver.

There follow as promised Fletcher's revised estimates on total German assets in neutrals. Figures in parentheses represent April 30 estimates of overall report. All figures in millions dollars. Switzerland 600 (300); this figure represents direct investments only. Portugal 35 (27). Sweden 51 (57.7). Turkey 51.2 (33). Spanish estimates not yet reconciled.

¹ Sent to the Secretary of State at Babelsburg over the signature of Grew.

No. 997

800.5158-745 : Airgram

The Chargé in the Soviet Union (Kennan) to the Acting Secretary of State

RESTRICTED

Moscow, July 27, 1945.

A 183. SAFEHAVEN.

Reference to my July 19, No. 2628 to Department, repeated to London as 371, Paris as 243, and Frankfort for Pauley, Harriman, and Clayton as 23,¹ the following is a [the] text of the note referred to therein:

"You will recall that on June 18, 1945, Ambassador Harriman informed you of a proposal that the United States and British Govern-

¹ Document No. 985

[No. 997]
ments, on behalf of the Powers occupying Germany, make a joint
démarche to the Spanish Government with respect to the control
of all German assets in Spain.\footnote{See vol. r, document No. 382, footnote 1.} In view of the reported action of
your Government in issuing similar warnings to the Governments of
Sweden and Turkey, my Government has been obliged to assume
that the Soviet Government has no objection to the action described
in Mr. Harriman’s letter. In the light of this situation, and of the
general urgency of the matter, my Government feels it necessary to
proceed to completion of the steps which Mr. Harriman has outlined.
“The Powers occupying Germany are, as has many times in the
past been indicated, strongly interested in preventing the dissipation
and concealment of German property and in making possible restitu-
tion of property looted by the Germans and held in neutral territory.
In order to achieve these objectives, and acting in a capacity as
trustee on behalf of the Powers occupying Germany, my Govern-
ment will shortly, and in collaboration with the British Government,
present its démarche to the Spanish Government proposing that the
United States and British Missions in Madrid immediately assume
control and active management of German property in Spain, includ-
ing all corporations and other entities owned or controlled by the
former German state. Similar steps have already been taken with
respect to German official properties in Spain.”

Copies of this Airgram have been transmitted to London, Paris and
Potsdam for Pauley, Harriman and Clayton.

KENNAN

No. 998
Pauley Files

United States Delegation Working Paper\footnote{This paper bears the following manuscript notation: “Not sent”.}

[BABELSBERG,] July 28, 1945.

MEMORANDUM FOR GENERAL CLAY

It is requested that you attempt to get the Control Council to
issue the attached decree,\footnote{No attachment found. Cf. the attachment to notation No. 1003.} vesting German external assets, as soon
as possible. We regard it as most urgent that steps be taken imme-
diately to exercise the power of disposition over these assets.

In your discussion in the Control Council with respect to para-
gegraph (b) of Article I of the decree, you may point out that the U. S.
and the U. K. governments have been dealing extensively with
the problems involved in connection with German external assets for
several years and that their representatives are best qualified to deal
with the matter of actually getting hold of such assets. The Board
would of course be subject to the directions of the Commission, which in turn would be under the Control Council.³

³ At the end of this draft memorandum, spaces were provided for the signatures of Pauley, Clayton, and McCloy. Another draft memorandum for Clay, prepared for signature by Truman and dated August 1, consists in toto of the first paragraph of this paper. It is marked "Not used". For the memorandum actually sent, see document No. 1003.

No. 999

740.00119 Control (Germany)/7-3045: Telegram

The Secretary of State to the Chargé in the Soviet Union (Kennan) ¹

SECRET

BABELSBERG, July 30, 1945.

VICTORY 419. Sent to Moscow repeated Department for information.

Re note delivered to Soviets on German assets in Spain,² we have received word from US Military Attaché, Stockholm,³ that Russian Delegation has conducted a survey in Sweden of interned German planes (presumably including only those coming to Sweden from Soviet-German front), which are proposed to be flown out as war booty.⁴ Newspapers have publicized Russian plans, together with statement that no request concerning remainder has been made by US or UK.

BYRNES

¹ Printed from the text received in the Department of State.
² See document No. 997.
³ Brigadier General Alfred A. Kessler, Jr.
⁴ See document No. 990.

No. 1000

740.00119 (Potsdam)/7-3045

Proposal by the United States Delegation ¹

[BABELSBERG, July 30, 1945.]

GERMAN EXTERNAL ASSETS

The United States believes it important that immediate action be taken to exercise control and the power of disposition over German external assets, particularly in neutral countries. This is necessary not only from the standpoint of security but also to preserve such assets for Allied objectives.

It is therefore urged that an appropriate declaration be issued by the United States, the United Kingdom and the Soviet Union, and if possible France, assuming jurisdiction over such assets.

¹ Attachment 5 to the summary of the Tenth Meeting of the Foreign Ministers, July 30. See ante, pp. 483, 498.

[No. 1000]
There are attached alternative forms of a declaration, one which would be issued by the Big Three, and the other which would be issued by the Big Three and France.

Following the issuance of such a declaration it is recommended that the Control Council issue a decree vesting German external assets.

[Attachment 1]

TEXT OF PROPOSED DECLARATION BY THE BIG THREE

The Chiefs of State of the United States, the United Kingdom and the Soviet Union having met at Potsdam, the following Declaration is issued:

The Governments of the United States, the United Kingdom and the Soviet Union declare that German external assets, not already under the control of United Nations which have taken a part in the war with Germany, are subject to the jurisdiction of the Powers occupying Germany and of the Allied Control Council.

All countries in which such assets are located are hereby called upon to place such assets at the disposition of the occupying powers and of the Allied Control Council. The diplomatic representatives of the Powers signatory to this Declaration will act as their representatives in exercising control and the power of disposition over such assets.

[Attachment 2]

TEXT OF PROPOSED DECLARATION BY THE BIG THREE AND FRANCE

The Chiefs of State of the United States, the United Kingdom and the Soviet Union having met at Potsdam and having concerted with the Government of France, the following declaration is issued:

The Governments of the United States, the United Kingdom, the Soviet Union and France declare that German external assets, not already under the control of United Nations which have taken a part in the war with Germany, are subject to the jurisdiction of the Powers occupying Germany and of the Allied Control Council.

All countries in which such assets are located are hereby called upon to place such assets at the disposition of the occupying powers and of the Allied Control Council. The diplomatic representatives of the Powers signatory to this Declaration will act as their representatives in exercising control and the power of disposition over such assets.

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2 Not attached to the source copy of document No. 1000. The text of attachment 2 here printed constitutes the only attachment to another copy of document No. 1000 (file No. 740.00119 (Potsdam)/7-3145).
No. 1001

740.00119 Control (Germany)/7-3045: Telegram

The Acting Secretary of State to the Secretary of State

SECRET

[WASHINGTON,] July 31 [1945.]

164. Following telegram (re VICTORY 419, July 30 1) was sent to Stockholm on July 26: 2

"Dept learns (your military attaché's 677 [667] to War Dept July 24 3) Sov Govt will ask Swedish Govt to deliver interned German airplanes to Sov Govt as war booty. Should report be correct it is desirable that you, preferably supported by your British and French colleagues, 4 should inform Swedish Govt that we cannot acknowledge such a war booty theory and that Swedish Govt should not therefore permit disposition of German property or equipment as war booty. In our opinion, all German assets and interests are now under the joint jurisdiction of the four occupying powers and should not be removed or disposed of without consent of Allied Control Commission."

[GREW]

1 Document No. 999.
2 As telegram No. 1439.
3 Document No. 990.
4 Cecil Bertram Jerram and Christian Carra de Vaux de Saint-Cyr, respectively.

No. 1002

740.00119 (Potsdam)/7-3145

The United States Representatives on the Economic Subcommittee to the Secretary of State 1

[Extract 2]

[BABELSBERG,] August 1 [1945]—1:00 p.m.

REPORT TO THE SECRETARY ON THE WORK OF THE ECONOMIC SUBCOMMITTEE

There is attached the Third Report of the Economic Subcommittee to the Foreign Ministers.

With respect to the question of German external assets, the U. S. and U. K. recommended the inclusion in the Economic Principles 3 of the following:

"18. Appropriate steps shall be taken by the Control Council to exercise control and the power of disposition over German owned

1 Printed from an unsigned copy prepared by the United States Delegation at Babelsberg.
2 For the other sections of this report, see document No. 891.
3 Attachment to document No. 863.
external assets not already under the control of United Nations which have taken part in the war against Germany.”

We also recommended that appropriate reference to this matter be made in the communiqué.

The Soviet representatives, while stating that they had very little interest in the matter, reserved their position pending a study of the entire problem.

[Attachment—Extract 4]

THIRD REPORT OF THE ECONOMIC SUBCOMMITTEE TO THE FOREIGN MINISTERS 5

The Economic Subcommittee considered the questions of a statement regarding German external assets 6 and an Article 19 7 of the Economic Principles relating to payment for imports into Germany.

With respect to the question of German external assets, no decision was reached. The Soviet representatives, after a general explanation of the problem had been made, requested fuller information and reserved their position pending the furnishing of such information.

4 For the other sections of this report, see the attachment to document No. 891, and document No. 1325.
5 This report was presented at the Eleventh Meeting of the Foreign Ministers, August 1. See ante, p. 562.
6 See document No. 1000.
7 See documents Nos. 872, 873, 875, and 876.

No. 1003

740.00119 Potsdam/3-645

The President to the Deputy Military Governor, United States Zone in Germany (Clay)

BABELSBERG, August 1, 1945.

MEMORANDUM FOR GENERAL CLAY

The heads of government today agreed to the following:

“Appropriate steps shall be taken by the Control Council to exercise control and the power of disposition over German owned external assets not already under the control of United Nations which have taken part in the war against Germany.” 1

In order to carry out this agreement, you are directed to urge the Control Council to issue the attached draft decree, which would

1 Document No. 1383, section 11, paragraph 18.
vest German external assets. I regard it as most urgent that steps be taken immediately to exercise control and the power of disposition over these assets.

HARRY S. TRUMAN

[Attachment²]

LAW NO. —

VESTING AND MARSHALLING OF GERMAN EXTERNAL PROPERTY³

PREAMBLE

In modern warfare and under conditions of totalitarian rule the instrumentalities of war include privately owned enterprises and funds, as well as official properties of the warring state.

Germany’s war of aggression was sustained, not only by controlling her domestic economy, but also by mobilizing her industrial and financial interests in foreign countries.

In order to promote and maintain international peace and collective security in the post-war world, it is necessary to eliminate Germany’s potential for war.

To do this it is essential to assume control of all German assets, wherever located, and to divest German ownership.

Therefore, by virtue of the Supreme Authority with respect to Germany arising from the Act of Surrender, May 7, 1945,⁴ and in accordance with Article XIII of the Statement by the Governments of the USA, the USSR, the UK and the provisional Government of the French Republic, adopted at Berlin by the Supreme Commanders on June 5, 1945,⁵ it is hereby DECREED:

ARTICLE I

Establishment of German External Property Commission.

There is hereby established a German External Property Commission composed of representatives of the Powers occupying Germany, hereinafter referred to as the “Commission.” This Commission is created as a governmental agency with all the attributes, powers and immunities of the sovereign government for the purpose of carrying out the policies and provisions of this law both within and outside Germany.

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¹ Not attached to the source copy of document No. 1003, but clearly identified as the draft referred to (file No. 740.00119 (Potsdam)/7–3145).
³ Executive Agreement Series No. 502; 59 Stat. (2) 1857.
⁴ Treaties and Other International Acts Series No. 1520; 60 Stat. (2) 1649.

[No. 1003]
ARTICLE II

Vesting of External Property of Persons within Germany.

All the right, title and interest, legal and equitable, in or with respect to all property outside Germany, of all persons within Germany, is hereby vested in the Commission, Provided that this Article shall not affect the property of any individual within Germany.[1]

(a) who is a citizen or subject of a foreign sovereign state other than Japan; or
(b) who is part of the armed forces or civilian personnel of any Allied government.

ARTICLE III

Vesting of External Property of Persons outside Germany.

All the right, title and interest, legal and equitable, in or with respect to any property outside Germany, of any German citizen outside Germany and the branch of a corporation or other legal entity organized under the laws of Germany or having its principal place of business in Germany, and any legal entity which is owned or controlled from Germany, is hereby vested in the Commission. As used in this Article the term “German citizen” means individuals who

(a) have had full rights of German citizenship under Reich law, at any time since January 1, 1942, and have been within any territory while such territory was under the control of the Reich Government, at any time since January 1, 1942; or
(b) have been designated by the Commission to be German citizens for the purpose of this decree.

ARTICLE IV

Compensation.

All persons whose right, title or interest in any property has been vested in accordance with this law shall be entitled to fair compensation in an amount and in a manner to be determined.

ARTICLE V

Disposition of Property Vested under this Law.

The right, title and interest to all property, title to which has been vested in the Commission, under this law, or the proceeds of such property, shall be held by the Commission and disposed of pursuant to such further directives as the Allied Control Council or other appropriate authority may issue from time to time in order to accomplish the objectives set out in the Preamble.
ARTICLE VI

Additional Specific Powers of the Commission.

In order to effectuate the policies and provisions of this law and in addition to its general powers under Article I, the Commission's specific powers shall include the power, acting through any agency that it may designate, or otherwise, and under such rules and regulations as it may prescribe, by means of instructions, licenses, or otherwise,

(a) to do all acts which it deems necessary or appropriate to obtain possession or control over all property, the right, title or interest in which is vested in the Commission under this law;

(b) to operate, control and otherwise exercise complete dominion over all such property, including the sale, liquidation or other disposal thereof;

(c) to subpoena witnesses and to require the keeping of full records, the furnishing of full information, and the production or seizure of any books of account, records, contracts, letters, memoranda, or other papers, relating to any property affected by this law.

ARTICLE VII

Exemptions.

This decree shall not apply to assets subject to the jurisdiction of the United Kingdom, the Union of Soviet Socialist Republics, the United States, France or any United Nation determined to be entitled to retain assets subject to its jurisdiction as a form of reparations or otherwise.

ARTICLE VIII

Definitions.

For the purpose of this law:

(a) The term "person" shall include any natural person or collective persons and any juridical person or entity under public or private law having legal capacity to acquire, use, control or dispose of property or interests therein; and any government, including all political subdivisions, public corporations, agencies and instrumentalities thereof. Any juridical person or entity which is organized under the laws of, or has its principal place of business in Germany, shall be deemed to be a person within Germany within the meaning of Article II hereof.

(b) The term "property" shall include all movable and immovable property and all legal, equitable, or economic rights and interests in or claims to such property, whether matured or not, and shall include, but shall not be limited to lands and buildings, goods, wares, merchandise, chattels, coin, bullion, currency, deposits, accounts or debts, claims, bills of lading, warehouse receipts, all kinds of financial instruments whether expressed in Reichsmarks or in any foreign
currency, evidences of indebtedness or ownership of property, contracts, judgments, rights in or with respect to patents, copyrights, trademarks, etc., and in general, property of any nature whatsoever.

(c) The term "Germany" shall mean the area constituting "Das Deutsch[e] Reich" as it existed on December 31, 1937.

**ARTICLE IX**

**Penalties.**

Any person who violates any provision of this law or any regulations, instructions or directives issued hereunder or any person any of whose property is affected by this law who acts or attempts to act in derogation of the title or interest of the Commission under Articles II and III and any person who assists or conspires with any other person to commit such an act or violation shall, upon conviction, be liable to any lawful punishment as determined by the court. In addition to any penalty imposed by this Article, any person who is convicted hereunder shall forfeit his right to compensation under Article IV.

**ARTICLE X**

**Conflicting Laws Annulled.**

All provisions of foregoing laws or decrees or parts thereof which are contradictory to any one of the provisions of this law or of any law or decree issued under the provisions of this law are herewith declared null and void.

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**No. 1004**

800.515/8-245: Telegram

The Chief of the Division of Economic Security Controls (Rubin) to the Acting Chief of the Division of Economic Security Controls (Oliver)¹

SECRET

BABELSBERG, August 2, 1945.

VICTORY 480. For Oliver from Rubin.

President has sent to General Clay memo ² stating agreement of Big Three to issuance of decree vesting German foreign assets, and directing that ACC (Allied Control Commission) be urged to adopt decree. Memo states that President regards it as urgent that control and power of disposition over German external assets be obtained. Draft of decree already sent to you ³ has been amended by striking

¹ Sent to the Acting Secretary of State over the signature of Byrnes.
² Document No. 1003.
³ Not printed.
portion which previously set up a special board (with US and UK represented) to direct the vesting body.

EDITOR'S NOTE.—For the final Conference texts on this subject, as included in the Protocol and Communiqué, see post, pages 1485 and 1505 (paragraph 18), and pages 1485–1487 and 1505–1506 (paragraphs 1, 3, 8, and 9).

DISPOSITION OF THE GERMAN NAVY AND MERCHANT MARINE

EDITOR'S NOTE.—Papers relating to the allocation of shipping, including the employment of captured German vessels, are printed post, page 1191, under the heading: United Kingdom—Allocation of Shipping.

No. 1005

Truman Papers

The Joint Chiefs of Staff to the President

TOP SECRET   WASHINGTON [Babelsberg], 17 July 1945.

MEMORANDUM FOR THE PRESIDENT

The Joint Chiefs of Staff recommend the following statement of policy in regard to the disposition and distribution of captured German merchant shipping.

a. In view of the urgent requirement for personnel shipping in the further prosecution of the war, captured or surrendered enemy vessels capable of being used to transport troops should be made available as quickly as possible for the U. S. military use.

b. All captured or surrendered German vessels should be divided among the Allied Nations, first as to immediate use and later as to final disposition, except for such coastwise and inland water craft as are determined to be essential for the minimum German economy. No ocean-going vessels (i. e., ships over 4,000 deadweight tons) designed for foreign trade should be left in the hands of the Germans.

c. All captured and surrendered German and other enemy ships should be placed in a common pool. In this connection, every effort should be made to persuade the Russians to enter the United Maritime Authority agreement covering the handling of the Allied Nations pool of ships.

d. In the final disposition all ex-German personnel shipping should be divided among the Allied Nations.

1 See Treaties and Other International Acts Series No. 1722; 61 Stat. (4) 3784.
Further details in regard to the U. S. needs for personnel shipping were given in a memorandum to you from the Joint Chiefs of Staff dated 7 July 1945.²

For the Joint Chiefs of Staff:
WILLIAM D LEAHY
Fleet Admiral, U. S. Navy,
Chief of Staff to the
Commander in Chief of the Army and Navy.

² Document No. 549, printed in vol. i.

No. 1006
Department of the Army Files: Telegram
The Navy Department to the Commander, United States Naval Forces in Europe (Stark)

SECRET
WASHINGTON, 18 July 1945.
ROUTINE

This is serial No. 33. CominCh and CNO addressed ComNavEu for action and ComNavForGer for info and directed info to be forwarded CominCh and CNO.¹

Admiralty . . . [messages of July 7 and 11]² indicate no US representation on Capcraft Commission or provision for protecting US interest in disposing of captured enemy small craft including tugs for immediate use in Pacific.

There is an immediate and urgent need for seagoing tugs in carrying out approved primary operations in the Pacific. Request you investigate and if desirable arrange equal representation on Capcraft Commission or set up counter commission for US account in order to secure all possible immediate assistance for Pacific seagoing tug requirements. Suggest substitution of captured German tugs for US tugs now operating ETO.

WSA and War Washington have been advised of Admiralty dispatches and feel their interest identical with ours and that you and local War and WSA representatives should handle to satisfactory conclusion.

¹ Received by the United States Delegation to the Berlin Conference on July 19 as a retransmission from the War Department.
² Neither printed.
GERMANY

No. 1007

Proposal by the Soviet Delegation

[Translation]

THE GERMAN NAVY AND MERCHANT MARINE

SOVIET PROPOSAL PRESENTED TO FOREIGN MINISTERS

JULY 19, 1945

1. One third of the total German navy including the ships which at the beginning of unconditional surrender of Germany were under construction or in repair shall be handed over to the Soviet Union.

2. One third of reserve armaments, ammunition and supplies of the German navy in accordance with the classes of ships shall be handed over to the Soviet Union.

3. One third of the German merchant marine shall be handed over to the Soviet Union.

4. The transfer and receipt of the ships of the German navy and merchant marine shall begin August 1 and shall be completed by November 1, 1945.

5. There shall be established an expert commission the strength of which shall be determined by the Naval Commands of the three Allied countries to transfer and take the ships of the German navy and merchant marine located in the ports and bases of the Allied Commands as well as in the ports and bases in Germany and other countries.

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1 See ante, p. 102. This subheading appears as a manuscript notation by Yost on the Department of State file copy.

No. 1008

Truman Papers

The Representative on the Allied Commission on Reparations (Pauley) to the President

[BABELSBERG,] July 19, 1945.

MY DEAR MR. PRESIDENT: The question of the disposition of the German Naval and Merchant fleets has been raised by Generalissimo Stalin. As I understand it, he suggests that one-third of the tonnage of these fleets be allocated to each of the three powers.1

Most of the German Naval and Merchant tonnage is in the possession of the U. K., with some little in the hands of the U. S., and a small although unknown amount is held by the Russians in areas which they occupied.

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1 See ante, pp. 118–122.
Clearly under our proposed definition of “war booty”, the Naval ships would be excluded from reparations. But the Merchant vessels not belonging to the German armed forces would be deemed reparations. I quote our definition of war booty:

“War Booty shall be limited to finished equipment and supplies produced for and belonging to the German armed forces exclusive of any facilities used to produce such equipment or supplies.”

Under any definition of war booty heretofore laid down, the German Naval fleet would be so classified and therefore excluded from reparations. If we award one-third of the German Naval tonnage to Russia, we would be making an outright gift to the Soviet Union. While I do not object to making this gift, I believe that it should be subject to certain specific conditions. These conditions are that:

One, Agreement be reached on proper definitions of war booty, restitution, and reparations, including particularly the boundaries of Germany from which reparations will be exacted.

Two, Whatever allocation of ships is made to the U. S. S. R. shall not be delivered until the Japanese War is terminated.

Three, The U. S. S. R. agree to provide approximately 50,000 barrels per day of petroleum or petroleum products from Hungary and Rumania to relieve the present burden on the U. S. and U. K. of providing tankers, needed for the Pacific war, for hauling petroleum supplies to Europe and the Mediterranean area.

In general, it would appear that the U. S. would be better off to view the German Merchant tonnage as reparations rather than as war booty,—particularly since most of this Merchant tonnage is in the possession of the U. K. Under the Soviet proposal, by yielding our claim to some of the Naval vessels as war booty, we would acquire a full one-third interest in the Merchant tonnage as reparations. These Merchant vessels could be reassigned by ourselves to countries like Norway as reparations to help replace her great war shipping losses. It would certainly seem that the power to allocate Merchant ships as reparations will prove useful to the U. S. in trading for such other assets as we may ourselves desire to acquire as reparations.

Of course, the Merchant tonnage should not be turned over to the U. S. S. R. for immediate operation. That country is not a member of the shipping pool. Moreover, it could not man the ships with experienced personnel for the most efficient use in the prosecution of the Japanese War.

In the circumstances, it is my recommendation that this whole matter of ships be referred to the Allied Commission on Reparations for immediate consideration and for report. All of the members of this commission are presently here.

Respectfully,

EDWIN W. PAULEY

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2 Cf. attachment 2 to document No. 894.
MEMORANDUM TO HONORABLE WILLIAM L. CLAYTON, ASSISTANT SECRETARY OF STATE

Assumption:

The Tripartite Conference will agree that U. S. S. R. (Russia) will be given as reparations one-third (⅓) of the captured and/or surrendered German merchant tonnage. (This will exclude (a) Fishing vessels; (b) Harbor and Inland Water Craft; (c) Coastal shipping required for German use.)

If the above assumption is correct, the Protocol should definitely cover the following points:

(a) In this one-third distribution full consideration should be given to any enemy merchant tonnage captured or surrendered now in possession of U. S. S. R.

(b) Ships may be tentatively “earmarked” for delivery to U. S. S. R. at the end of the war with Japan.

(c) The implementation should not take place until after the fall of Japan, preferably six months after VJ-Day which, by limitation, is the period of the United Maritime Authority.

(d) The allocation, manning, and operation of these ships now fall under the cognizance and authority of the Combined Shipping Adjustment Board and the United Maritime Authority.

These ships are now engaged in providing shipping service for military and other tasks necessary for, and arising out of, the completion of the war in Europe and the Far East and for the supplying of all the liberated areas as well as the United Nations generally and the territories under their authority. They are being handled and integrated accordingly. (Note: Any change in the present military and civilian approved instructions covering these vessels will interfere with the successful prosecution of the war with Japan.)

E S L A N D

1 The presence of the signed original of this memorandum in the Truman Papers suggests the probability that it was passed on to Truman. Cf. ante, p. 383.
SECRET

NOTES TO ACCOMPANY ATTACHED MEMORANDUM TO ASSISTANT SECRETARY OF STATE CLAYTON

1. Russia is not, at present, a signatory to the "Agreement on Principles having reference to the continuance of coordinated control of merchant shipping," which was done in London on the 5th day of August, 1944 ² (United Maritime Authority).

2. To date Russia has evinced no interest in joining the United Maritime Authority.

3. Our records indicate that Russia endeavored to dissuade both Norway and Sweden from joining the United Maritime Authority but they were not successful. This attitude on the part of Russia indicates either a misunderstanding or a fear, or both, as to the intent and purposes of the United Maritime Authority.

4. The shipping allocations to Russia by the Combined Shipping Adjustment Board have been satisfactorily handled by the United States and the United Kingdom throughout the war and if Russia does not choose to accede to the United Maritime Authority, there is no reason why she should not henceforth apply to it for her shipping requirements. This leads to the conclusion that Russia's accession to U. M. A. is not vital provided that the Protocol definitely states that the delivery of ships to Russia will not take place until the limit of the U. M. A. period, namely within six months after VJ-Day.

   LAND

² Treaties and Other International Acts Series No. 1722; 61 Stat. (4) 3784.

No. 1010

Department of the Army Files: Telegram

The Commander in Chief, United States Fleet, and Chief of Naval Operations (King) to the Navy Department ¹

CONFIDENTIAL

BABELSBERG, 26 July 1945.

ROUTINE


¹ This message resulted from an agreement reached in Anglo-American conversations at Babelsberg. See ante, p. 299.
In consultation with Commodore Moran select officer qualified to sit on Capcraft Commission to select tugs suitable for United States purposes. Have selected officer report to ComNavEu for temporary duty on Capcraft Commission.

No. 1011

United States Delegation Working Paper

[BAEBLSBERG, July 29, 1945.]

Disposition of the German Fleet and Merchant Marine

German Fleet

It is agreed that the German fleet shall at once be divided equally among the U. S. S. R., the U. K., and the U. S. A large proportion of the German submarines shall be destroyed, a small number being retained for experimental and training purposes. The destruction of the submarines shall be supervised by a mixed commission which shall also determine which will be retained.

It is further agreed that naval officers of the three powers will be accorded facilities to inspect German naval vessels and installations wherever held.

German Merchant Marine.

It is agreed that the German merchant marine wherever or however captured or held shall be ultimately divided equally among the U.S.S.R., the U. K., and the U. S., subject to further distribution by them to other Allied nations. Although particular vessels may be earmarked now for particular nations, all German merchant vessels shall be used in the prosecution of the Japanese war as long as that war continues. The allocation, manning, and operation of these ships during the Japanese war period shall fall under the cognizance and authority of the Combined Shipping Adjustment Board and the United Maritime Authority. The ultimate distribution of the German merchant fleet shall take place six months after the fall of Japan.

It is further agreed that appropriate officers of the three powers will be accorded facilities to inspect German merchant vessels wherever held.

1 In the "Index of Attachments to Summary of the Negotiations in the Economic Sub-Committee" (file No. 740.00119 (Potsdam)/7-3145), this paper is identified as a "draft agreement by Collado, July 29, 1945."
No. 1012

740.00119 EW/7-2945

The Special Assistant to the Secretary of State (Brown) to the Secretary of State

[Babelsberg,] July 29, 1945.

MEMORANDUM FOR THE SECRETARY

Tonight at 11:35 Pavlov called and asked that the following message be transmitted to you:

"Generalissimo Stalin has appointed the following to serve on the committee for disposition of the German fleet:

"The Admiral of the Fleet Kusnecov

[""]Mr. Sobonev."

WALTER BROWN

1 Printed from a carbon copy on which there is an uncertified typed signature.

No. 1013

740.00119 (Potsdam)/7-3045

Proposal by the Soviet Delegation

[Translation]

[Babelsberg,] July 30, 1945.

GERMAN NAVY AND MERCHANT MARINE

SOVIET PROPOSAL

1. One third of the total strength of the German surface navy including ships which at the beginning of Germany's surrender were under construction or in repair shall be transferred to the Soviet Union.

2. A larger part of the German submarine fleet shall be sunk. A part of the submarine fleet viz. submarines presenting the greatest interest from the technical standpoint shall be preserved and divided between the USSR, Great Britain and the USA.

3. One third of all stocks of armaments, ammunition and supplies of the German navy shall according to the classes of vessels be transferred to the Soviet Union.

4. One third of the German merchant marine shall be transferred to the Soviet Union.

1 Attachment 7 to the summary of the Tenth Meeting of the Foreign Ministers, July 30. See ante, pp. 492, 498.
5. The transfer of vessels and ships of the German navy and merchant marine shall begin on August 1st and their receipt shall be completed by November 1st, 1945.

6. A Maritime Technical Commission will be set up to hand and take over vessels of the German navy and merchant marine located in the ports and bases in allied countries as well as in Germany and other countries.

No. 1014

740.00]19 (Potsdam)/7-3045

Proposal by the British Delegation

SECRET

DISPOSAL OF THE GERMAN FLEET AND MERCHANT SHIPS

MEMORANDUM BY THE UNITED KINGDOM DELEGATION

When this question was discussed at the Third Plenary Meeting on the 19th July,2 on the basis of the Soviet Delegation’s Memorandum of that date,3 certain conclusions were reached and it was agreed to leave the matter until the last stage of the Conference.

2. The British Delegation have given further consideration to the questions raised in the Soviet Memorandum, in the light of the discussion on the 19th July, and submit the following suggestions as a basis for the decisions of the Conference on the subject. These suggestions relate to the numbered paragraphs of the Soviet Memorandum:

(1) (a) It was agreed on the 19th July that the German surface ships should be shared equally between the Three Powers. The British Delegation suggest that consideration should now be given to allotting a share to France which is an equal party to the terms of surrender for Germany and is a full member of the Control Council for Germany. The allocation of specific vessels is, it is suggested, a matter upon which an expert commission should submit recommendations to the Three Governments, after it had drawn up a list of all available surface ships, including those under construction or already launched, and those under repair which can be quickly completed. Any ships requiring more than three months for completion should be removed from Germany by the country to whom they are allocated. Remaining ships under construction will be destroyed.

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1 Attachment 6 to the summary of the Tenth Meeting of the Foreign Ministers, July 30. See ante, pp. 492, 498.
2 See ante, pp. 118-122.
3 Document No. 1007.

[No. 1014]
(b) At the same time it was agreed in principle that the German U-boats should be dealt with separately, the greater part being destroyed. A token number would be retained for equal division among the Three Powers for purposes of research. The question of a French share of the retained U-boats should also be considered. Here again, it is suggested that the expert commission should be instructed to make concrete proposals after full investigation of the numbers of U-boats—seaworthy, damaged and under construction or repair—which are in the hands of the Allied authorities. Each of the Three Powers would be responsible for arranging the destruction of U-boats in its control, apart from the token number which it may be agreed to retain.

In deciding the allocation of German warships, the British Delegation consider that account should be taken of the Rumanian and Bulgarian warships available to the Soviet Union.

(2) The Soviet request for a proportional share of the German Navy’s reserve of armaments, ammunition and supplies was not discussed at the Plenary Meeting on the 19th July. The Soviet request is acceptable in principle to the British Delegation, who must point out, however, that these stores have been dispersed by the Germans and that the first step must be the preparation of an inventory which should be one of the tasks assigned to the proposed expert commission.

(3) It was agreed in principle that there should be a division of the surrendered German merchant shipping, but no final conclusion was reached as to the proportions to be allotted to the different Allied States. Mr. Churchill expressed the view that account should be taken of merchant shipping which had passed under the control of the Soviet Government as the result of the armistices with Finland and Rumania. President Truman emphasized the need for German shipping in the war against Japan and for bringing supplies for the rehabilitation of Europe.

The meeting agreed in principle that without prejudice to the preparation of a scheme for the division of surrendered German merchant ships, all such ships should be available for use in support of the Allied war effort against Japan.

The British Delegation maintain their point of view that in the division of the surrendered German merchant shipping account should be taken of the shipping taken as reparation by the Soviet Union from the Satellite States. Account should also be taken of the need for providing ships for local German purposes, in accordance with any recommendations which may be made by the Allied Control Council for Germany. Subject to these conditions, the British Delegation renew the suggestion made by Mr. Churchill on the 19th July that a fourth part be made available for division between the other Allied States whose merchant marines have suffered substantial losses at the hands of Germany. The share of the Soviet Union would in that case be one quarter of the total available.
The shares of the various Allied States would be counted as reparation receipts.

(4) The British Delegation cannot agree to the timetable proposed by the Soviet Delegation, since, as pointed out above, there is much essential preliminary investigation and listing to be done before the transfer of ships can begin. The British Delegation suggest that the following timetable should be approved in principle by the Conference:

(a) Warships. Transfers will be carried out as soon as possible after Governments have approved the recommendations of the proposed expert commission.

(b) Merchant Ships. Proposals for the allocation of specific German merchant ships, in accordance with such decision on allocation as may be agreed by the Conference, should be agreed as soon as possible between the three Governments, in the light of recommendations made by the experts, and particular ships would then be earmarked. The transfer of these ships would take place as soon as they became available after the end of the Japanese War.

(5) The Plenary Meeting on the 19th July agreed in principle upon the formation of a Three Power Naval Commission, with reciprocal rights for each party to make the investigations required for their work in any territory under the control of the other parties. As mentioned above, the British Delegation propose that there shall be established an expert commission to deal with German warships. Its composition and duties are suggested in paragraphs (1) and (2) above.

As regards merchant ships the British Delegation suggest that detailed recommendations to give effect to the proposals in paragraphs (3) and (4) (b) should be worked out between suitable expert representatives nominated by the Three Governments to deal with merchant ships, in consultation with representatives of other interested Governments.

3. There is the possibility that any public announcement that German warships are to be divided amongst the Allies may result in the German crews scuttling ships which might be ordered to sail to Allied ports. It is therefore desirable that no announcement of the division of the German Navy be made, at any rate until the expert commission has completed its investigations, which should include the detailed arrangements for carrying out the transfer of ships. A similar delay is necessary before making any definite announcement about the division of the surrendered German merchant ships.

Potsdam, 30th July, 1945.
Report by the Technical Subcommittee on Disposition of the German Navy and Merchant Marine

[BABELSBERG, August 1, 1945.]

REPORT OF THE SPECIAL COMMITTEE DESIGNATED TO PREPARE RECOMMENDATIONS FOR THE DISPOSAL OF THE GERMAN NAVY AND GERMAN MERCHANT MARINE

Enclosures:  (A) Decisions of the Tripartite Conference on Distribution of the German Navy.
            (B) Decisions of the Tripartite Conference on Distribution of the German Merchant Marine.

1. The Committee met at 1030, 31 July, 1945, in consideration of above subject. The Committee’s recommendations, Enclosures [sic] (A) and Enclosure (B), are based upon tentative decisions reached during plenary sessions of the Tripartite Conference beginning 17 July, 1945. These enclosures are drafted in the form of decisions in order to facilitate final action in the plenary session of the Tripartite Conference. [For?] Those parts of the enclosures in which agreed recommendations could not be made the divergent views are set forth in each of the specific paragraphs involved.

2. The Committee feel bound to draw the attention of the Conference [to] the possibility that any public announcement that German warships are to be divided amongst the Allies may result in the German crews scuttling ships which might be ordered to sail to Allied ports. It is therefore desirable that no announcement of the division of the German Navy be made, at any rate until the expert commission has completed its investigations, which should include the detailed arrangements for carrying out the transfer of ships. A similar delay is necessary before making any definite announcement about the division of the surrendered German merchant ships. The Committee accordingly recommend that the Conference might confine publicity to the following announcement:—

“The Conference agreed in principle upon arrangements for the use and disposal of the surrendered German Fleet and merchant ships. It was decided that the Three Governments would appoint experts to work out together detailed plans to give effect to the agreed principles.

1 So dated in a manuscript notation by Yost. This report was discussed at the Eleventh Meeting of the Foreign Ministers and at the Twelfth Plenary Meeting, August 1. See ante, pp. 558, 576.
A further joint statement will be published simultaneously by the
Three Governments in due course."

Кузнєцов ²
Admiral of the Fleet,
U. S. S. R. Navy.

C M. Cooke Jr.
Vice Admiral, U. S. Navy.

E D B McCarthy.
Rear Admiral, Royal Navy.

[Enclosure A]

DECISIONS OF THE TRIPARTITE CONFERENCE ON DISTRIBUTION OF
THE GERMAN NAVY ³

1. The Tripartite Conference agree upon the following principles
for the distribution of the German Navy:—

(a) The total strength of the German surface navy, excluding
ships sunk and those taken over from Allied Nations, but including
ships under construction or repair, shall be divided equally among
the U. S. S. R., U. K., and U. S.

(1) (The British representatives expressed the view that a
portion of the German Navy should be allotted to France and
that, therefore, full agreement with the above principles must be
subject to final decision of the Plenary Conference.)

(b) Ships under construction or repair mean those ships whose
construction or repair may be completed within three to six months,
according to the type of ship. Whether such ships under construction
or repair shall be completed or repaired shall be determined by the
technical commission appointed by the Three Powers and referred to
below, subject to the principle that their completion or repair must
be achieved within the time limits above provided without any
increase of skilled employment in the German shipyards and without
permitting the reopening of any German shipbuilding or connected
industries. Completion date means the date when a ship is able to
go out on its first trip, or, under peace-time standards, would refer to
the customary date of delivery by shipyard to the Government.

(c) The larger part of the German submarine fleet shall be sunk.
The Committee are not able to make a recommendation as regards
the number of submarines to be preserved for experimental and
technical purposes.

(1) It is the opinion of the British and American members
that not more than 30 submarines shall be preserved and divided
equally between the U. S. S. R., U. K. and U. S. for experimental

² Kuznetsov.
³ The file copies of this enclosure and the succeeding one were apparently used
as working drafts in working out the language finally agreed upon (see document
No. 1388, section iv). The texts here printed are those of the typed report before
any manuscript changes had been made in it.

[No. 1015]
and technical purposes. Paragraph 1 (a) (1) also applies to submarines.

(2) It is the view of the Russian members that this number is too small for their requirements and that U. S. S. R. should receive about 30 submarines for its own experimental and technical purposes.

(d) All stocks of armaments, ammunition and supplies of the German Navy appertaining to the vessels transferred pursuant to subparagraphs (a) and (c) hereof shall be handed over to the respective powers receiving such ships.

(e) The Three Governments agree to constitute a tripartite naval commission comprising two representatives for each Government, accompanied by the requisite staff, to submit agreed recommendations to the Three Governments for the allocation of specific German warships and to handle other matters arising out of the agreement between the Three Governments regarding the German fleet. The Commission will hold its first meeting not later than August 15th, 1945, in Berlin, which shall be its headquarters. Each delegation on the Commission will have the right on the basis of reciprocity to inspect German warships wherever they may be located.

(f) The Three Governments agree that transfers, including those of ships under construction and repair, shall be completed as soon as possible, but not later than February 15th, 1946. The Commission will submit fortnightly reports, including proposals for the progressive allocation of the vessels when agreed by the Commission.

[Enclosure B]

DECI SIONS OF THE TRIPARTITE CONFERENCE ON DISTRIBUTION OF THE GERMAN MERCHANT MARINE

1. The Tripartite Conference agree upon the following principles for the distribution of the German Merchant Marine:—

(a) (1) It is proposed by the Soviet and American representatives: The German Merchant Marine, surrendered to the Three Powers and wherever located, shall be divided equally among the U. S. S. R., the U. K., and the U. S. The actual transfers of the ships to the respective countries shall take place as soon as practicable after the end of the war against Japan. This distribution shall not preclude any of the Parties from making such [sic] further allocation of part of its share to other Allied Nations.

(2) The British representatives considered it essential to allot a share of not less than one quarter to the lesser maritime Allied States whose merchant marines have lost so heavily in support of the common cause against Germany. Accordingly, the British Delegation proposed the following alternative draft of subparagraph (a) (1):—

"One quarter of the German merchant marine surrendered to the Three Powers and wherever located shall be allotted to the
Soviet Union and the remainder shall be divided between the U. K. and the U. S. who will provide an appropriate share to the Allied States whose merchant marines have suffered substantial losses in support of the common cause against Germany. The actual transfers of the ships to the respective countries shall take place as soon as practicable after the end of the war against Japan."

(b) The allocation, manning, and operation of these ships during the Japanese War period shall fall under the cognizance and authority of the Combined Shipping Adjustment Board and the United Maritime Authority.

(c) While actual transfer of the ships will be delayed until after the end of the war with Japan, a Tripartite Shipping Commission shall inventory and value all available ships and recommend a specific distribution in accordance with subparagraph (a) (as approved).

(d) The British and American representatives propose the following sub-paragraph:—

"German inland and coastal ships determined to be necessary to the maintenance of the basic German peace economy by the Allied Control Council of Germany shall not be included in the shipping pool thus divided among the Three Powers."

The Soviet representatives do not agree to this inclusion.

(e) The Three Governments agree to constitute a tripartite merchant marine commission comprising two representatives for each Government, accompanied by the requisite staff, to submit agreed recommendations to the Three Governments for the allocation of specific German merchant ships and to handle other detailed matters arising out of the agreement between the Three Governments regarding the German merchant ships. The Commission will hold its first meeting not later than September 1st., 1945, in Berlin, which shall be its headquarters. Each delegation on the Commission will have the right on the basis of reciprocity to inspect the German merchant ships wherever they may be located.

(f) The British representatives suggested the need to add the following provision:—

"The shares of the various Allied States will be counted as reparation receipts."

The Soviet Delegation considered that this was unnecessary in view of the new policy agreed by the Conference on reparations.

The American representatives took no position in this matter.

Editor's Note.—For the final Conference texts on this subject, see post, pages 1487, 1507.

[No. 1015]
WAR CRIMINALS

No. 1016

740.00119 (Potsdam) 7-3045

Proposal by the Soviet Delegation

[Translation]

[BABELESBURG, July 30, 1945.]

TRIAL OF PRINCIPAL WAR CRIMINALS

1. The Conference has recognized as necessary for the trial of the principal war criminals whose crimes, as is stated in the Moscow Declaration of November 1, 1943, were not connected with a definite geographical place, to establish an International Tribunal in the near future.

2. The Conference has decided in the first instance that judgment should be passed on the following leaders of the Hitlerite clique: Goering, Hess, Ribbentrop, Ley, Keitel, Doenitz, Kaltenbrunner, Frick, Streicher, Krupp.

3. The leaders of the three Allied governments declare that according to the Moscow Declaration of November 1, 1943 they will take all measures at their disposal to provide for the surrender into the hands of justice war criminals who have taken refuge in neutral countries. In the case of the refusal of any such country to surrender war criminals who have taken refuge on their territory, the three Allied Governments will consult between each other concerning the measures which should be taken in order to provide for the effecting of their inflexible decision.

1 Handed to Byrnes at the Byrnes–Molotov meeting, July 30. See ante, p. 482. This paper bears the following typed notation: “Translation of document handed to the American and British Delegations by Mr. Molotov”. Although this paper is attachment 14 to the summary of the Tenth Meeting of the Foreign Ministers, July 30 (see ante, p. 498), it appears that document No. 1017 was the paper submitted at that meeting.

No. 1017

Proposal by the Soviet Delegation

[Translation]

[BAEBLSBERG, July 30, 1945.]

CONCERNING THE TRIAL OF THE IMPORTANT WAR CRIMINALS

1. The Conference has found it necessary to organize in the very near future an International Tribunal for the trial of the important war criminals whose crimes are not connected with a definite geographical location and who, in accordance with the Moscow Declaration of November 1, 1943, are not to be sent to the countries in which their crimes were committed, to be tried according to the laws of these countries.

2. The Conference has decided that the International Tribunal, first of all, must try the following leaders of the predatory Hitlerite band: Goering, Hess, Ribbentrop, Papen, Ley, Keitel, Kaltenbrunner, Frick, Hans Frank, Streicher, Krupp and Schacht.  

3. The leaders of the three Allied Governments declare that, in accordance with the Moscow Declaration of November 1, 1944 [1943], they will take all measures at their disposal in order to ensure the surrender into the hands of justice of the war criminals who are hiding in neutral countries. In case of a refusal by any of those countries to surrender war criminals who hide on its territory, the three Allied Governments will consult among themselves concerning the measures which should be taken in order to ensure the carrying out of their inflexible decision.

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1 This document is undated, but is apparently the paper submitted by Molotov at the Tenth Meeting of the Foreign Ministers, July 30 (see ante, p. 494). Byrnes commented at that meeting that the list of war criminals named in the document differed from the list in a paper which Molotov had handed him earlier the same day. Cf. document No. 1016.

2 Prepared after the Conference by the Division of Language Services, Department of State.

3 The Russian original has at this point the following manuscript interpolation in English: "& Doenitz". This name and those of Papen, Frank, and Schacht (i.e., the names not included in document No. 1016) are underscored in pencil.

[No. 1017]
Proposal by the British Delegation

SECRET

WAR CRIMES

MEMORANDUM BY THE BRITISH DELEGATION DATED 13TH [sic] JULY, 1945

The British Delegation placed this matter on the Agenda of the Conference. They consider it most desirable, in view of the great public interest throughout the world in the major war criminals being brought to just and speedy punishment, that an agreement should be reached between the Three Governments to insert a paragraph on the lines suggested below in the Protocol and Communiqué.

"The Three Governments have taken note of the discussions which have been proceeding in recent weeks in London between British, United States, Soviet and French representatives with a view to reaching agreement on the methods of trial of those major war criminals whose crimes under the Moscow Declaration of October, 1943 have no particular geographical localisation. The Three Governments reaffirm their intention to bring these criminals to swift and sure justice. They hope that the negotiations in London will result in speedy agreement being reached for this purpose, and they regard it as a matter of great importance that the trial of these major criminals should begin at the earliest possible date."

POTSDAM, 30th July, 1945.

1 Attachment 13 to the summary of the Tenth Meeting of the Foreign Ministers, July 30. See ante, pp. 495, 498.
2 See vol. 1, document No. 176.
3 For the London discussions referred to, for the text of the Agreement of August 8, 1945, signed at the conclusion of those discussions, and for the text of the Charter of the International Military Tribunal annexed to that Agreement, see Report of Robert H. Jackson, United States Representative to the International Conference on Military Trials, London, 1945.
4 One copy of this paper bears the following manuscript notation: "Agreed".
GERMANY

No. 1019

Truman Papers

The President's Special Counsel (Rosenman) to the Secretary of State

[BAELSBURG,] August 1, 1945.

MEMORANDUM FOR THE SECRETARY OF STATE

Bob Jackson tried to reach you, and when he couldn't, asked for me, and he discussed with me the present situation on war criminals.

The meeting 2 scheduled for this morning did not take place, because of the opening of Parliament and the necessity of the Lord Chancellor 3 being present at the opening. The meeting has been postponed for tomorrow. I told Bob that anything that was to be done had to be done at today's meeting. 4

His views are: 1. That we should refuse emphatically to name any of the war criminals.

2. That we should not commit ourselves here to an international tribunal for purposes of trial.

As to the second point, Bob has come to feel very strongly that it would be better not to have a joint tribunal because of the difficulty of working with the Russians in a trial. He feels that if the Russians, however, in London accept the various propositions which we have made, that he is committed to favor a joint tribunal, and does not feel that he can back out of it merely on the ground that it would be difficult to get along.

If, however, they do not accede to our suggestions as to definition of a war crime and certain other matters, he will then take the course of having each nation try the criminals in its respective jurisdiction. He was even of the thought that the British, French and Americans might agree to a joint trial, leaving the Russians out. I expressed to him my personal opinion that that would be quite a slap at the Russians, leading to recriminations, whereas it would not be quite so bad if it was decided that each nation would try its own war criminal prisoners.

1 The presence of the original of this memorandum in the Truman Papers suggests the probability that Byrnes passed it on to Truman.
2 The reference here is apparently to a meeting in London.
3 Sir William Jowitt.
4 The reference here is apparently to a plenary meeting of the Berlin Conference.

[No. 1019]
At any rate, nothing will be done before tomorrow, and I said I would phone him from some place in England and find out what has happened.

S[AMUEL] I R[OSENMAN]

EDITOR'S NOTE.—For the final Conference texts on this subject, as included in the Protocol and Communiqué, see post, pages 1489, 1507.

SOVIET ANNEXATION OF KÖNIGSBERG AND NORTHERN EAST PRUSSIA

No. 1020

Truman Papers

Proposal by the Soviet Delegation

[Translation?]

SOVIET PROPOSAL ON KOENIGSBERG

On shaping the decision of the three Heads of Governments regarding the transfer to the Soviet Union of the Koenigsberg area. The Conference approved the proposal of the Soviet Union that pending the final settlement of territorial questions at the Peace Congress, the part of the western border of the U. S. S. R. adjoining the Baltic Sea should follow the line from the point on the western shore of the Danzig Bay indicated on the map annexed hereto, eastward—north of Braunsberg–Goldap to the junction of the frontiers of the Lithuanian S. S. R., the Polish Republic and former East Prussia.

[BABELSBERG,] 7/22/45.

1 Apparently circulated between the Sixth Plenary Meeting, July 22, and the Seventh Plenary Meeting, July 23. See ante, pp. 269, 305.

2 Not found.

3 For the draft entries on this subject submitted by the British and Soviet Delegations for inclusion in the Protocol, see documents Nos. 1429–1431.

EDITOR'S NOTE.—For the final Conference texts on this subject, as included in the Protocol and Communiqué, see post, pages 1489, 1507.
Separation of the Ruhr and Rhineland from Germany

A primary objective of our three Governments is to prevent Germany from ever again embarking on a War of Aggression. All present and intended measures of military and industrial disarmament do not of themselves constitute a certain guarantee to this end. Even a truncated Germany will retain her war making potential if the Ruhr and Rhineland are permitted to remain under German authority. Without this area, Germany is incapable of waging a major war. I therefore propose that we here determine:—

1. That the Ruhr and Rhineland be permanently detached from the remainder of Germany.
2. That prior to conclusion of the period of military occupation a separate international protectorate comprising this area be created.
3. That this international protectorate be placed under the authority of the Security Council of the United Nations Organization.
4. That we recommend that the Security Council designate Belgium, France and the Netherlands to administer this international protectorate on its behalf and in accordance with the conditions prescribed by the Security Council.
5. That we recommend [to] the Security Council that in [sic] the administration of this international protectorate shall be carried out in such a manner as to:

(a) make available the economic resources and production of the protectorate for the benefit of European economy as a whole without discrimination against European or non-European countries.
(b) to afford to the inhabitants of the protectorate so far as consistent with the basic purposes of the protectorate the maximum degree of local self-government.

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1 Authorship not indicated. The copy of this paper in the Truman Papers bears the following manuscript notation by Truman: “Not presented but discussed. Decided that they should remain in Germany.”
2 In a later version of this paper (file No. 740.00119 Potsdam/7–1545), this passage reads: “Even a Germany reduced in size.”
3 For a map of the Ruhr, see the map facing p. 926, ante.
The Secretary of War (Stimson) to the President

[Extract]

TOP SECRET

[BABELSBERG,] 16 July 1945.

MEMORANDUM FOR THE PRESIDENT

Dismemberment of Germany

In speaking of Germany, I refer of course, to that part of the country which it is intended will eventually return to her sovereignty. I would be disposed to grant to Poland some areas on her western boundaries which would tend to compensate her for the territory to be ceded to Russia. I feel however, that the burden is upon Russia to show that suitable provisions will be made to care for the millions of Germans now in those areas. We must make it clear that they cannot be shunted to American responsibility. I would not be disposed to grant sovereignty to France over all the left bank of the Rhine, although certain provisions respecting fortifications and military installations in this area in favor of France would be desirable. No final conclusions on this subject will, I imagine, be reached without consultation with the French.

I would not go further in the dismemberment of Germany, as I believe in modern times it will require the full resources of the remaining area to make possible any reasonable recovery.

As a part of the demilitarization of Germany I would suggest that a thorough study be made by the experts of the three Powers, and submitted to the three governments, of the practicability of a plan for the international ownership and control of the products and resources of the Ruhr and the Saar. I would not approve either a wholesale destruction of these resources or a territorial annexation of the area by either another country or a condominium of countries.

I have just heard the proposal that the Ruhr and the Rhineland should be severed from Germany, and placed as a protectorate under the management of France, Belgium, and Holland. I understand that the proposed severance from Germany is to be complete, except for a customs Verein.

1 Submitted to Byrnes for transmittal to Truman (see document No. 849). For Stimson's oral comments to Byrnes on this subject, see document No. 849, footnote 3.
2 For the other sections of this memorandum, see the enclosure to document No. 849.
3 See document No. 1021.
The reasons why I fear any such attempted remedy of the problems which we are facing in the Ruhr, are as follows:

1. It at once takes out of the heart of Germany many millions of people of complete German race, and severs them from all political ties with the remainder of Germany. The proposed severance is the most drastic kind of dismemberment, far worse than any severance involving territory where there are mixed nationalities. It is likely to cause the most violent political reactions and the political revolutionary attitude and activity known as irredentism.

The history of Europe during the past one hundred and fifty years proved the correctness of the theory of racial self-determination put forward by the Allied Powers at the close of the last World War. During that period we have constantly seen the evolution of homogeneous racial groups and the dissolution of heterogeneous groups. The development of Italy from 1859 to 1870 was an example of the first kind of trend toward racial amalgamation; the dissolution of Austria–Hungary was a prominent example of the severance of badly combined national groups. The mistake after the last war was not the emphasis on self-determination, but the failure to deal properly with economic realities.

2. The proposed severance of the Ruhr would, I believe, be a mistake not only in ethnic and political matters but also in the economic field. The cutting of the political and economic ties between Germany and the severed provinces will impair the capacity of both the areas to sustain a reasonable peacetime economy. A protectorate of a foreign race and nationality, will not lead to an effective operation. In the light of the great need for production throughout the European area this let down would be a serious blow to any prompt rehabilitation of Europe. Moreover, by reason of the inability of the remaining portion of Germany to obtain the economic benefit of the Ruhr and Rhineland, great impairment of the economy of the remaining portion will result. Europe as a whole will inevitably suffer.

3. I believe that the severing of the Ruhr from the main portion of Germany will tend to drive the industries which formerly were dependent upon the Ruhr and the Rhineland to look to eastern Germany and Poland. I think there would be a strong tendency to drive Germany toward the east in her economic affiliations and outlook. I do not think that is in the interests of either western Europe or the United States.

The objections I have stated to the proposed severance of the Ruhr would not inhere in even the most drastic kind of international control to prevent the production of war munitions. The study I have proposed would disclose the advantages and disadvantages of the international control which I have suggested.

It is this road rather than the road of political severance I believe we should follow.

Henry L Stimson

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4 The last four words are in manuscript, replacing “only a part of the population is severed from its homeland.”
No. 1023

Draft Memorandum by the Political Adviser to the Representative on the European Advisory Commission (Mosely) ¹

[Babelsberg,] July 16, 1945.

MEMORANDUM FOR THE SECRETARY

CREATION OF A SEPARATE RHINELAND-RUHR

There are several proposals for special treatment of the Rhineland-Ruhr. They have in common the assumption that control by the Western powers of the economic resources of this area, whether by political or economic means or by a combination of them, will provide a means of assuring our security interests in the European settlement.

All these proposals raise a number of complicated questions, which are bound to be advanced by the other Governments. Before approaching our Allies with this proposal, we need to consider what answers we will give to those questions.

1. If the pattern of use of the Ruhr iron, steel, coal, and chemicals remains unchanged and these resources undergo final fabrication in many other parts of Germany, what especial benefit will be derived from “controlling” the raw material and crude manufacturing resources of the Ruhr?

2. If the Rhine-Ruhr is to be drawn away from the rest of the German economy and oriented toward the West, what adjustments would the Western countries, including ourselves, have to make in the pattern of their manufacturing and trade in order to accommodate this important area, even on a reduced scale of production, within the western orbit? In controlling this area the Western powers would be drawn between two conflicting objectives: 1, the desire to prevent or restrict a competition of this powerful area against relatively high cost areas in France and Britain, and 2, the need to provide sufficient export markets in Western Europe and overseas to make the Rhine-Ruhr an economically workable area.

3. If Germany east of the Oder or Oder-Neisse is cut off, if the Rhine-Ruhr is given a special status and if ten or twelve million Germans are dumped into the rump Germany which would be left in the middle, what economic adjustments would be necessary in that middle area? The middle area is a highly industrial area specializing in machinery and electrical equipment and fabricated consumer goods. To maintain even a minimum subsistence this area would have to become dependent on whatever countries would accept these products in exchange for foodstuffs and raw materials. The most likely market would be found in Eastern Europe because Western European countries and America have highly developed and competitive industries of the same type.

4. If as the result of creating a separate Rhine-Ruhr state, Germany

¹ Printed from an unsigned carbon copy. It seems probable that this was a draft memorandum intended for signature by Dunn or Clayton.
falls apart, will a Western German state of some sixteen million be able to withstand the pull exerted by a differently organized German state of some fifty million? Both economic and patriotic forces would tend to pull the smaller Western Germany, over the long run, to rejoin the much greater Eastern German state.

5. If a Rhine-Ruhr state is created, what powers will control it? It is more than doubtful that France, Belgium, and the Netherlands, even in combination, are competent to control this area and to work out the adjustments necessary to make it a workable unit. Britain would suffer many disadvantages if she accepted the creation of a continental bloc of this nature outside her own control. If Britain joins in underwriting and controlling this bloc she will be taking a long step toward establishing a west-European bloc which will inevitably come into rivalry with Russia. For this and other reasons the Soviet Union will either oppose the creation of such a bloc outside her control or will insist on a strong voice in controlling and directing it. If, in order to overcome British and Russian opposition, they are brought into the controlling body, the control over the area would basically be in the hands of the same four powers which are already committed to controlling and policing Germany jointly. The British and Russians would then ask: why introduce the great complication of a separate political unit when they have already agreed to control Germany on a four-power basis?

6. If this plan is proposed to our Allies, they will ask whether the United States is prepared to underwrite it and, if so, for what period of years and with what commitment of military force and financial contribution. Will such a plan reduce or increase our commitments in Europe and will it present those commitments in a form palatable to the American public and compatible with the purposes with which it entered the war? Will it be able to obtain from Congress the large appropriations which will be necessary to enable the population to subsist during the long period which must elapse before an economically workable adjustment has been made. We must assume that neither France or Britain is able to undertake such an economic commitment on their own resources.

No. 1024

740.00119 (Potsdam)/7-1745

The Political Adviser to the Representative on the European Advisory Commission (Mosely) to the Assistant Secretaries of State (Dunn and Clayton)²

SECRET

[BABELSBERG,] July 17, 1945.

MEMORANDUM FOR MR. DUNN AND MR. CLAYTON

Subject: Creation of a Rhineland-Ruhr State.

A. The Proposal.

While there are several proposals under consideration for separating the Rhineland-Ruhr area from the remainder of Germany, most of

² Printed from a carbon copy on which there is an uncertified typed signature.

[No. 1024]
the proposals provide for this area to be set up as a permanently separate unit, economically and politically independent of the rest of Germany. One of the proposals provides that it shall be controlled by France, Belgium and the Netherlands under the supervision of the Security Council. Obviously, a merely temporary separation would, by the very assumption that the area would at some foreseeable time be returned to Germany, have political and psychological effects different from those of a separation designed to be lasting. Similarly, the economic effects of separation would be very different if this area were to be left in customs union with the rest of Germany.

B. Advantages of Separation.

1. The advantage of separation most often cited would be that even when political self-rule was returned to the Germans in the rest of Germany the basic resources of the Rhineland–Ruhr area would not return to the control of the German state or the German economy, thus eliminating Germany's ability to use these resources to rearm. This argument assumes that when direct Allied occupation of Germany comes to an end, the four Powers might be unable or unwilling to prevent the rest of Germany from rearming and that the separation of the Rhineland–Ruhr is therefore a necessary safeguard against the revival of Germany as a military power.

2. A second advantage is that the separation of this area would make the rest of Germany much weaker as a power factor and hence much less attractive to any outside power which might be tempted to court it as an ally, and that Germany would thus be more likely to remain a political vacuum. If political forces could be shaped or confined by drawing lines on a map, this argument would carry decisive weight. There are other political factors, such as numbers, technical and organizing skills and political drives of a people, which can be deflected but not destroyed by lines drawn on a map.

3. It is also argued that existence in partite states could be made so attractive to Germans over the long run that it would be accepted by them and would thus form a lasting contribution to a more peaceful Europe. In the history of Europe in the last 200 years nothing suggests that the bulk of Germans either in the Rhineland–Ruhr or in the rest of Germany will eventually accept such a solution sincerely and work to maintain it. Failing such acceptance, this solution, to endure, would require permanent unity of will among the four great powers. An imposed partition of Germany is, over any considerable period, more likely to divide the four major powers than it is to contribute to their continued unity of purpose and action.

2 Cf. document No. 1021.
C. Disadvantages.

1. Would the economic potential of Germany be reduced by drawing a boundary line around the Rhineland–Ruhr? As a by-product of separation, the exploitation of the Rhineland–Ruhr would probably have to be maintained on a fairly high level in order, through developing its capacity to export in highly competitive markets, to support its present population. Numerous industries now carried on in the rest of Germany would, as a normal consequence of separation, be developed in the Rhineland–Ruhr area, and thus, if at some later date the boundary between the Rhineland–Ruhr and the rest of Germany were removed, Germany’s total economic potential might well be no smaller than it had been before partition.

2. The separation of the Rhineland–Ruhr would contribute to the stability of Europe if it were accepted sincerely by the bulk of Germans in both parts of Germany and if the four major powers were equally determined to maintain partition. However, the issue of partition could easily become the focus for all the discontents among Germans in both areas. The grievance of partition would unify all Germans in a way difficult to combat and dangerous to the long-range aims of the Allies. Any great power which wished to disturb the peace of Europe would have at hand an issue which would win the support of the entire German people and would trouble the conscience and divide the political will of the Allied nations. The inability of the great powers to unite between 1918 and 1938 in maintaining the independence of Austria, which had never been politically a part of the modern German state, gives some inkling of the political risk involved in basing a long-range policy on the assumption that all major powers will share an equal interest in maintaining the partition of Germany.

3. While control of the Rhineland–Ruhr by France, Belgium and Holland would give a western-European bloc the power to cut off the flow of coal, iron and steel from the Rhineland–Ruhr to the rest of Germany, other potential power-factors would not be under their control. It is doubtful that they could eradicate the will of the Germans to reunite. This factor, even though Germany by itself were incapable of an active political role, would have its influence on all calculations and decisions as long as the separation lasted, since the German people, even disarmed, could be counted on to throw the weight of their manpower and economic potential to the side of any power which seemed likely to support their efforts at reunion.

4. Any decision as to what powers will dominate a separate Rhine-land–Ruhr state or protectorate will give rise to both immediate and continuing rivalries. Neither Great Britain nor Russia can afford
to have an area of sixteen million Germans, possessing a great industrial potential, drawn into a combination which would be outside its own control. If the four major powers agree to separate the Rhineland–Ruhr, that will be on a basis of equal participation in its control. As long as the four powers are willing to maintain their joint control over all of Germany, it is hard to see what advantages would be gained by setting up a separate four-power regime for the Rhineland–Ruhr apart from the four-power control over Germany as a whole, and it is easy to foresee the great administrative, economic and political complications to which it would give rise.

5. If the Rhineland–Ruhr is placed under the control of France, Belgium and Holland, these three countries will have to combine to form a cohesive Western European bloc, in order to control effectively a West German state of sixteen millions. The formation of such a bloc would be regarded with suspicion by Russia and has not previously been encouraged by the United States, which has so far opposed the division of Europe into water-tight regional power-blocs. Weak in itself, a West European bloc would need generous and sustained support by both Britain and the United States.

6. For Britain and the United States to underwrite permanently a spearhead bloc in Western Europe implies a major decision on their part. It assumes that they cannot work out satisfactory joint solutions with Russia and that they must now form a strong and cohesive bloc of their own. If that assumption is the only one on which Britain and the United States can safely act, they should not limit their power-bloc to Western Europe but should strive to make the area of their leadership as broad, inclusive and cohesive as possible. They cannot feel adequately reinforced by having on their side a disparate bloc consisting of France, Belgium, Holland and a reluctant Rhineland.

7. A principal argument for creating a separate Rhineland–Ruhr state is that this will furnish a reliable safeguard against Germany’s rearming after American and British forces have withdrawn from the Continent. However, a separate Rhineland–Ruhr state could be maintained only by military forces, available in substantial numbers on the ground and always available in unstinted numbers on immediate call at a distance. It is conceivable that the forces needed to maintain a separate Rhineland against the will of the German people and the potential opposition of other major powers would be as great or greater than those needed to garrison all of Germany after Germany has been disarmed and reorganized internally.

Even if American and British forces are withdrawn from Germany at an early date, Germany could still be garrisoned indefinitely by contingents furnished by the Continental European allies. These
allies, which have obligatory military service and are in close proximity to Germany, could easily provide, on a rotating basis, a garrison of 200,000.

The creation of a separate Rhineland state would not obviate the necessity for maintaining a long-term system of inspection as a safeguard against German efforts to rearm. Through licensing industrial establishments, through direct and frequent inspection by a corps of Allied personnel, through licensing and regulating the use of critical alloys, through eliminating the production of aircraft and synthetic oil and rubber, and through preventing all forms of military training and warlike indoctrination, the victorious powers can, if they so will, prevent Germany from restoring her military strength or potential. Continuity in enforcing such controls under the authority of the Security Council will be attained more easily than continuity of joint and unremitting action to enforce the separation of the Rhineland-Ruhr from the rest of Germany.

8. It should be the aim of the victorious powers to keep Germany weak and disunited politically. An imposed partition will lead nearly all Germans to subordinate their natural internal differences to the one burning desire, namely, to overcome a division of their country and people which runs counter to their deep national feeling, and to their economic interests. Finally, it will be easier to maintain unity of policy between the four major powers if they agree to keep Germany politically weak and economically open to the influence of all the major powers instead of breaking Germany up into exclusive spheres of influence.

PHILIP E. MOSELY

No. 1025

740.00119 Potsdam/7-2145

The Political Adviser to the Representative on the European Advisory Commission (Moseley) to the Assistant Secretary of State (Clayton)

SECRET

[BABELSBERG,] July 21, 1945.

MEMORANDUM FOR MR. CLAYTON

Subject: Maisky Proposal for Internationalizing the Ruhr

1. During May and June Mr. Churchill urged strongly that the Allied forces should stand on the May 7 line of demarcation between them and the Soviet forces, in order to use the withdrawal as a bargaining counter during the current conference.\(^1\) The President insisted,

\(^1\) See Churchill, Triumph and Tragedy, pp. 601–609.
and rightly so, on the fulfillment of the Agreement on Zones of Occupation and declined to press Russia to accept a smaller zone in Germany. The U. S. forces were withdrawn into the assigned zone in accordance with our pledged word and without seeking political advantages for ourselves from the fulfillment of an undertaking already given.

2. Maisky’s proposal of July 20 for immediate internationalization of the Ruhr amounts to a proposal for revising the Agreement on Zones, this time at the expense of the U. K. Zone. It would remove from that zone the larger part of its resources. While we may promise to study sympathetically any concrete proposals which the Soviet Government may wish to put forward, we should be careful not to box the British in by agreeing “in principle” or in any other way to this proposal, as we would then be in the position of approving a Soviet proposal to cut down the British Zone immediately after having blocked a British proposal to raise the question of a revision of the Soviet Zone.

3. Our best position would be to press the Russians for immediate implementation of the Agreement on Control Machinery, just as we have carried out the Agreement on Zones. We could point out that the four-power control machinery has not yet been put into operation; that Allied objectives in Germany cannot be achieved unless the Control Machinery works well and rapidly; that the moment when the agreed machinery is about to begin operation is no time to change it drastically and suddenly by creating new four-power machinery in one part of Germany, particularly in one which cannot be disconnected from the surrounding areas without requiring a large number of adjustments both within the Ruhr and the rest of Germany; that experience in working the control machinery in Germany during occupation will provide a better basis for planning and operating a permanent four-power control of the Ruhr.

PHILIP E. M[OSELY]

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3 See notes on the meeting of the Economic Subcommittee, July 20, ante, p. 183.

4 Signed at London, November 14, 1944, as amended by a further agreement signed at London, May 1, 1945. For texts, see Treaties and Other International Acts Series No. 3070; United States Treaties and Other International Agreements, vol. 5, pt. 2, p. 2062. Text of the agreement of November 14, 1944, also in Foreign Relations, The Conferences at Malta and Yalta, 1945, p. 124.
No. 1026

Memorandum by the Director of Political Affairs, United States Group, Control Council, Germany (Heath) ¹

SECRET

[BABELSBERG,] July 21, 1945.

MEMORANDUM

Subject: Creation of Ruhr-Rhineland State.

The American Delegation has discussed and the Russian Delegation has tentatively put forward orally (through Maisky at Economic Subcommittee meeting ²) a proposal to create a separate Ruhr-Rhineland state including possibly the remainder of Westphalia.

As I understand it, our study ³ contemplated that this state would be under the immediate supervision of the French, Belgian, and Dutch Governments and the general supervision of the council of the world security organization. International government of this territory would begin coincidentally with the cessation of quadripartite military occupation of Germany which it was assumed would terminate within a few years. While initially there would be direct international government of the Ruhr-Rhineland state, a local government would be fostered and international control eventually limited to indirect measures backed up by an international garrison.

The Russian tentative proposal contemplates the immediate creation of a state to be supervised by the Soviet Union, Great Britain, the United States, and France. While it is believed possible that some form of international control might later be applied to the Ruhr area, which contains Germany’s basic war-making potential, the following considerations to my mind make it undesirable at this time to enter into any commitments for either special international control of the Ruhr area or for the establishment of a separate state including that area:

1. The basic thesis that we have been advocating before and at this Conference is that Germany should be treated as an economic unit. It would be hard to reconcile either of the two proposals concerning the Ruhr with our previously maintained position.

2. To propose a plan which would exclude Russia from direct participation in the government of the new state except through her membership in the world security organization council would have the effect of justifying and even encouraging Russian attempts to assume control over Eastern Germany.

3. If the Russian proposal were accepted, the net result would be to leave the Russians in effective control of the Upper Silesian in-

¹ Printed from an unsigned carbon copy.
² Ante, p. 183.
³ No “study” along the lines described has been found. Cf. document No. 1021.

[No. 1026]
dustrial area and, in addition, to give them a direct participation in
the government of the Ruhr area which they do not at present have.
In other words something for nothing.
4. The American position up to the present has been to stand upon
the agreed zones for the government of Germany. We have recently
refused a British suggestion for certain changes in the Russian zonal
boundaries. It would appear unjustifiable if we were now to accept
a Soviet proposal, especially one which would remove the most
valuable part of the British zone from British control.
5. Any imposed partition of Germany is bound to evoke a spirit of
irredentist nationalism which will thwart our program of German
re-education and, in the end, overthrow the partition arrangement
itself.
6. Forcible partition in the proposed instance would react against
the embryonic tendencies toward separatism which although weak
do exist in Bavaria and other regions and which under other circum-
stances might conceivably develop.
7. Insufficient study has as yet been given to the economic and
political problems incident to the formation of the proposed state nor
have we as yet had sufficient experience in military government or
quadripartite cooperation to reach final conclusions on the suggested
plans.
8. We cannot as yet judge the stability and strength of France
which, under our plan, would be the most important element in the
international rule of the area.
9. Furthermore, Russia might interpret such a proposal as an effort
of the Western Allies to increase their war potential as against her
own.

No. 1027

Proposal by the Soviet Delegation

[Translation]

[BABELSBERG,] July 30, 1945.

ON RUHR INDUSTRIAL DISTRICT

SOVIET PROPOSAL

Considering the Ruhr Industrial District as a part of Germany and
having in view the necessity of all kind curtailment of Germany’s
war potential the Conference has deemed expedient:

(1) To determine that the Ruhr Industrial District shall be in
respect of administration under the joint control of U. S. A., U. K.,

1 Attachment 16 to the summary of the Tenth Meeting of the Foreign Ministers,
July 30. See ante, pp. 496, 499. Molotov had given Byrnes a copy of this pro-
posal at a private meeting immediately preceding the Tenth Meeting of the
Foreign Ministers. See ante, p. 492. Another copy of this proposal bears the
following manuscript notation: “Sov. to present to Council For. Min? but not
included in protocol”. Cf. ante, p. 596.

(3) The Industry of the Ruhr District will be utilized for reparation purposes in conformity with the common reparation plan.

(4) To establish immediately, in view of prompt accomplishment of this decision, provisional Allied Council composed of representatives of U. S. A., U. K., U. S. S. R. and France, which in a months term will carry out necessary preparatory work and will assume the provisional Administration of the Ruhr District.

THE FRENCH ZONE OF OCCUPATION AND THE FRENCH SECTOR IN BERLIN

No. 1028

740.00119 Potsdam/7-1745

The Assistant Secretary of War (McCloy) to the Assistant Secretary of State (Dunn)

CONFIDENTIAL

WASHINGTON [Babelsberg], 17 July 1945.

MEMORANDUM FOR MR. JAMES C. DUNN, ASSISTANT SECRETARY OF STATE

General Clay advises me today that he has tentatively worked out with General Weeks, Deputy Military Governor of the British Zone, an agreement that a French Area of Occupation in the City of Berlin will be formed from the existing areas allocated to the United Kingdom and the United States Forces of Occupation. It would seem appropriate now to inform Ambassador Winant that agreement with the British and French on this point seems likely and to request that he agree in the European Advisory Commission with the British, the Russians and the French that the matter may be referred to the Control Council for Germany for settlement, with the understanding that the French Zone will be created out of the areas presently assigned to the United States and United Kingdom Forces.

General Clay expects to confer with General Weeks and General Koeltz on this matter on Thursday⁴ and to work out a definitive scheme, subject to final ratification by the Joint Chiefs of Staff if that turns out to be necessary.

JOHN J McCLOY

¹ July 19.
No. 1029

740.00110 Potsdam/7-1845: Telegram

The Secretary of State to the Ambassador in the United Kingdom (Winant)\(^1\)

TOP SECRET

BABELSBERG, July 18, 1945.

VICTORY 68. For Ambassador Winant, London, repeated to State Department, Washington from Secretary of State, Berlin.

U. S. and U. K. military authorities in Germany agree that French Berlin area of occupation will be formed from existing U. K. and U. S. areas.

As soon as U. K. representative EAC\(^2\) have [has] received similar instructions, you are authorized accept Soviet July 12th [11th] proposal\(^3\) for final sentence report accompanying agreement on French Zone in Germany and conclude agreement.

Byrnes

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\(^1\) Printed from the text received in the Department of State.
\(^2\) Sir Ronald I. Campbell.
\(^3\) See vol. 1, document No. 411.

No. 1030

740.00110 Potsdam/7-1845: Telegram

The Ambassador in the United Kingdom (Winant) to the Political Adviser to the Representative on the European Advisory Commission (Mosely)\(^1\)

SECRET

URGENT

LONDON, 18 July 1945.

Tripartite Conference Babelsberg for Mosely from Winant serial number 4307.

... No word to date received at Soviet Embassy here from Moscow permitting clearance and signature of ... agreement amending agreement on zones Germany.

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\(^1\) For the full text of this message, see document No. 1035.
GERMANY

No. 1031

740.60119 EAC/7-2445 : Telegram

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

[Extract 1]

TOP SECRET

URGENT


For Tripartite Conference, Babelsberg, top secret from Winant serial number 44360. Sent the Secretary Babelsberg top secret from Winant and to Dept as 7434, July 24, COMEA 340.

EAC met last night to complete two outstanding documents. British informed U. S. they did not have full authority to accept Soviet draft final paragraph for covering report to EAC agreement amending agreement on zones occupation Germany.2

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1 For the other portions of this message, see document No. 1037.
2 For Byrnes' reply to this message, following a conversation at the Berlin Conference between Mosely and Strang, see ante, p. 407.

No. 1032

L/T Files

Report by the European Advisory Commission


In consequence of a decision of the Crimea Conference announced on the 12th February, 1945,1 whereby the Governments of the United States of America, the Union of Soviet Socialist Republics and the United Kingdom stated their intention to invite the Provisional Government of the French Republic to participate in the occupation of Germany, the European Advisory Commission has examined the question of delimiting the zone of French occupation in Germany.

The Commission now transmits to the four Governments for their consideration and approval the text of an Agreement2 amending the

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1 See document No. 1417, section II.
2 For the text of the agreement transmitted with this report, see Treaties and Other International Acts Series No. 3071; United States Treaties and Other International Agreements, vol. 5, pt. 2, p. 2093.

[No. 1032]
Protocol of 12th September, 1944, on the zones of occupation in Germany and the administration of "Greater Berlin". The Commission calls to the attention of the four Governments the fact that Articles 4 and 5 of the present Agreement supersede Articles 1 and 2 of the Agreement of 14th November, 1944, between the Governments of the United States of America, the Union of Soviet Socialist Republics and the United Kingdom regarding Amendments to the Protocol of 12th September, 1944, on the zones of occupation in Germany and the administration of "Greater Berlin".

In view of the physical conditions prevailing in the area of "Greater Berlin", the Commission in the drafting of Article 7 of the present Agreement did not attempt to delimit the area in "Greater Berlin" to be occupied by the armed forces of the French Republic. The Commission recommends that the question of the delimitation of the French area in "Greater Berlin", which will have to be allotted from the American and British areas of "Greater Berlin" as a consequence of the greater destruction in the Soviet area of the City, should be referred to the Control Council in Berlin for consideration.

Representative of the Government of the United States of America on the European Advisory Commission:
JOHN G. WINANT

Representative of the Government of the Union of Soviet Socialist Republics on the European Advisory Commission:
G. CANCHETT

Representative of the Provisional Government of the French Republic on the European Advisory Commission:
RONALD I. CAMPBELL

26th July, 1945.

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4 Treaties and Other International Acts Series No. 3071; United States Treaties and Other International Agreements, vol. 5, pt. 2, p. 2087; Foreign Relations, The Conferences at Malta and Yalta, 1945, p. 121.
5 G. Saksin.

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No. 1033

Byrnes Papers

The Assistant Secretary of State (Dunn) to the Secretary of State


MEMORANDUM FOR THE SECRETARY

On July 26 the European Advisory Commission signed the Agreement amending the protocol of September 12, 1944 on zones of occu-

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1 Printed from a carbon copy on which there is an uncertified typed signature.
occupation in Germany and the administration of greater Berlin. This Agreement makes provision for a French zone of occupation in Germany, as agreed at the Yalta Conference.

The Agreement, the covering report, and the accompanying exchanges of letters were negotiated in the EAC in full conformity with the detailed instructions agreed between the Department and the JCS. I suggest that the President may now wish to give his approval to this Agreement and inform Ambassador Winant accordingly. The Agreement comes into force when approved by the four Governments. Its provisions are already being carried out directly by the military authorities concerned.

JAMES CLEMENT DUNN

Approved: Secretary of State


The President

2 For the text of the agreement of July 26, see Treaties and Other International Acts Series No. 3071; United States Treaties and Other International Agreements, vol. 5, pt. 2, p. 2087. For the covering report, see document No. 1032.

The exchanges of letters referred to comprised the following (copies transmitted to the Department of State under cover of Winant’s despatch No. 24517 of July 27; file No. 740.00119 EAC/7–2745):

(a) A letter from Winant to Massigli, informing the latter that the United States Government “will be prepared, at a later stage in the Allied occupation of Germany, to review with the Provisional Government of the French Republic the assignment of areas of occupation between the French and U.S. zones, in the light of the then prevailing conditions of occupation and the requirements of the respective forces of occupation.”

(b) A parallel letter from Campbell to Massigli, giving similar assurances with respect to a review of the assignment of areas of occupation between the French and British zones.

(c) A letter from Winant to Massigli, informing the latter “that the U.S. military authorities in Germany will be prepared to make available to the French military authorities in Germany the records and archives located at Karlsruhe and relating to the area of French occupation in Baden.”

(d) A letter from Massigli to Winant containing the following assurances: “. . . the French Government will assure to the United States forces of occupation the right of free passage across the French zone of occupation as well as the right of free overflight above that zone. It is likewise understood that the United States forces will exercise in that zone exclusive control over the bridges across the Rhine constructed by the United States, as well as over communications lines and installations constructed in Germany under the same conditions. The French forces will have free use of the said bridges, lines, and installations located in or leading into the French zone. The detailed arrangements regarding these matters will be worked out by mutual agreement between the United States and French commanders-in-chief in Germany.”

(e) Acknowledgments of the above letters.

3 There is no indication of Byrnes’ approval.

4 The source copy bears a holograph signature by Truman. It appears that this copy was signed by Truman as a souvenir rather than as an official record of Presidential approval. There is no doubt, however, that Truman approved Dunn’s memorandum officially, presumably after it had been approved by Byrnes. See document No. 1034.
No. 1034

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

TOP SECRET  

BABELSBERG, July 29, 1945.  


Re London's 65460, July 26th repeated to Department as 7546 COMEA 343.  

The President has approved the EAC agreement of July 26th amending protocol of September 12th 1944 on zones occupation Germany and administration greater Berlin, together with covering report and accompanying exchanges of letters. Please inform EAC colleagues that United States Government has approved EAC agreement.  

BYRNES

1 Printed from the text received in the Department of State.
2 Not printed. This message informed Byrnes that the additional requirements agreement (see document No. 1038) had been signed on July 25, and that the agreement on zones of occupation in Germany would be signed on July 26.
3 Winant executed this instruction on July 29. Notification of approval was given by the other signatories as follows: the United Kingdom on August 2, the Provisional Government of the French Republic on August 7, and the Soviet Union on August 13.

THE "ADDITIONAL REQUIREMENTS" AGREEMENT

No. 1035

The Ambassador in the United Kingdom (Winant) to the Political Adviser to the Representative on the European Advisory Commission (Mosely)  

SECRET  

URGENT  

LONDON, 18 July 1945.  

Tripartite Conference Babelsberg for Mosely from Winant serial number 4307.

Please read Dept's 5766 July 14 to London repeated to Hoechst as 112.  

No word to date received at Soviet Embassy here from Moscow permitting clearance and signature of additional requirements agreement and agreement amending agreement on zones Germany.  

1 Document No. 416, printed in vol. 1.
2 See document No. 1038.
3 See document No. 1032 and footnote 2 thereto.
The Political Adviser to the Representative on the European Advisory Commission (Mosely) to the Ambassador in the United Kingdom (Winant)\(^1\)

SECRET

BABELSBERG, July 20, 1945.

VICTORY 115. From Mosely at Babelsberg to London for Winant and State Department at Washington for Grew.

Vyshinsky informed Mosely today\(^2\) Soviet Government has approved agreement on additional requirements except new title and new first paragraph; he expects latter will be cleared shortly.

Ambassador Murphy and Mosely have discussed with McCloy and Colonel Cutter contents of Department's 5766, July 14, to London (repeated 112 to Murphy)\(^3\) and furnished following explanations:

1. Term "Allied representatives" means four commanders both as member Control Council and commanders of zones. Neither June 5 declaration\(^4\) nor agreement additional requirements defines separate spheres for activity of Control Council and of zonal commanders. Both documents contain Allied agreements to impose requirements on Germans and to that extent contain agreed policy. Draft agreement in no way affects control machinery agreement\(^5\) or jurisdiction of zone commander under it.

2. Certain sections of agreement notably naval clauses have been largely executed already. Most sections have a continuing value. Even those sections already executed have some value as they contain first Four-Power agreement for lines of action we have already followed without such agreement.

3. Agreement does not assume existence of central German Government. It uses term "German authorities" in same sense as June 5 declaration. There are no German "authorities" at any level except as recognized by military commanders.

4. Colonel Cutter raised question whether Article 14 (a) of agreement conflicts with authority of U. S. Alien Property Custodian over German property in U. S. When this question arose during negotiation, it was clearly understood that Control Council would be unable act re German property located in country of any controlling power against opposition of that power because decisions of Control Council must be unanimous. Mr. McCloy expressed satisfaction these explanations and foresaw no obstacle to early clearance agreement on part War Department. Ambassador Murphy receiving this message.

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\(^1\) Printed from the text received in the Department of State.
\(^2\) i. e., July 19.
\(^3\) Document No. 416, printed in vol. r.
\(^4\) Treaties and Other International Acts Series No. 1520; 60 Stat. (2) 1649.
\(^5\) Signed at London, November 14, 1944, as amended by a further agreement signed at London, May 1, 1945. For texts, see Treaties and Other International Acts Series No. 3070; United States Treaties and Other International Agreements, vol. 5, pt. 2, p. 2062. Text of the agreement of November 14, 1944, also in Foreign Relations, The Conferences at Malta and Yalta, 1945, p. 124.

[No. 1036]
No. 1037

740.00119 EAC/7-2445: Telegram

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

URGENT

For Tripartite Conference, Babelsberg, top secret from Winant serial number 44360. Sent the Secretary Babelsberg top secret from Winant and to Dept as 7434, July 24, ComEA 340.

Your Victory 241 July 23 received.

EAC met last night to complete two outstanding documents. . . .

Saksin stated his Government approved additional requirements agreement with last part of title reading in translation "certain additional requirements to Germany". Original English title read "certain additional requirements to be imposed on Germany". Saksin insisted title he [was] authorized to accept could not be translated as in English version and he would have to obtain new instructions in order to accept that wording. Apparently discrepancy arose at time Soviet delegation originally telegraphed proposed title to Soviet Government. Saksin claimed his delegation was not aware at that time that English and French versions contained phrase "to be imposed". He stated he would telegraph for new instructions. Perhaps Mosely could see Gousev and expedite necessary instructions to Saksin.

1 See ante, p. 321.
2 For the passage omitted here, see document No. 1031.
3 For Byrnes' reply to this message, following a conversation at the Berlin Conference between Mosely and Gousev, see ante, p. 407.

No. 1038

L/T Files

Report by the European Advisory Commission

SECRET

Report by the European Advisory Commission to the Governments of the United States of America, the Union of Soviet Socialist Republics and the United Kingdom and the Provisional Government of the French Republic.

1. Pursuant to the Declaration regarding the Defeat of Germany and the Assumption of Supreme Authority with respect to Germany, signed at Berlin on 5th June, 1945, wherein it is stated, in Article 13 (b), that the Allied Representatives will impose on Germany

1 Treaties and Other International Acts Series No. 1520; 60 Stat. (2) 1649.
additional political, administrative, economic, financial, military and other requirements, the European Advisory Commission has, in accordance with its terms of reference, considered certain of the more urgent of these additional requirements. Accordingly, it submits herewith, for consideration and approval by the four Governments, an Agreement regarding certain Additional Requirements to be imposed upon Germany.

2. It will be recalled that the Commission agreed in March 1944, when discussing the terms of surrender of Germany, that certain broad political and economic requirements should be imposed upon Germany at the time of, or shortly after, the surrender, in addition to the mainly military requirements to be contained in the Instrument or Declaration of Surrender. The most important military requirements were announced in the Declaration of 5th June, 1945. The Commission believes that the enclosed Agreement on Additional Requirements, representing the agreed views of the four Governments, will furnish guidance to the Allied Representatives regarding additional measures to be imposed on Germany. The Commission accordingly recommends that the Agreement on Additional Requirements, as soon as it is approved by the four Governments, be transmitted to the Allied Representatives in Berlin. The Commission recommends that the four Governments authorize the Allied Representatives to decide whether publication of this document shall be in whole or in part.

3. The Commission has several comments to make with regard to certain specific provisions in the Agreement on Additional Requirements.

a) The Commission recommends that in exercising control over German research relating to war or the production of war material, as set forth in sub-paragraph 13 (b), the Allied Representatives should, when they consider conditions in Germany appropriate, supplement this provision by issuing the following order to the German people:

All research, experimentation, development or other study relative to war or the production of war material, whether in public or private establishments, factories, technological institutions, laboratories or elsewhere, is hereby abolished and forbidden in future.

b) The Commission recommends that in giving effect to the provisions of sub-paragraph 15 (b) the Allied Representatives should also require the German authorities to hand over, for delivery to the Allied Government concerned, any drawings, plates and other special technical equipment utilized directly for the production of
monetary tokens for issue by Germany in territories formerly occupied by her or elsewhere.

c) In connection with the provisions of sub-paragraph 16 (b) the Commission recommends that all property, assets, rights, titles and interests in Germany held for or belonging to any country, other than Germany and the countries referred to in sub-paragraph 16 (a), which has at any time since 1st September, 1939, been at war with any of the United Nations, be taken under the provisional control of the Allied Representatives and preserved, pending subsequent transfer to the countries of ownership under arrangements to be worked out with the appropriate Allied Control Commissions or organs in those countries.

d) In connection with the execution of the provisions of sub-paragraph 26 (a), the Commission recommends to the four Governments approval of the following understanding:

Vessels of the United Nations surrendered to the Allied Representatives in accordance with sub-paragraph 26 (a) will be returned by the Allied Representatives to the respective Allied States which own or owned, or whose nationals own or owned, such vessels. Nothing in this provision shall alter in any manner any existing agreements and procedures among any of the United Nations with respect to the pooling of the vessels surrendered by Germany under the provisions of sub-paragraph 26 (a).

e) In connection with the execution of the provisions of paragraphs 14, 15, 16 and 19, the Commission invites the attention of the four Governments to the great importance of effecting as full and as prompt restitution as possible of the property which has been looted by the Germans from occupied Allied countries. It points out the urgency of providing the Allied Representatives in Germany with guidance concerning the principles and procedures which should govern the restitution of looted Allied property, in accordance with the Declaration made at London on 5th January, 1943 on Enemy Acts of Dispossession.2

4. During the consultations which the European Advisory Commission has carried on, under instructions of the four Governments, with representatives of the European Allied Governments concerning the Declaration of 5th June, 1945, these Governments have expressed, both in writing and orally, their great interest in the additional requirements which are to be imposed upon Germany. In view of this concern, the Commission recommends that the four Governments instruct it to communicate the Agreement on Additional Requirements, upon its approval by the four Governments, to the interested Allied Governments. In so doing the Commission would point

out to the representatives of those Governments that these additional requirements do not purport to be complete and will be supplemented by specific orders and instructions to be issued by the Allied Representatives.

Representative of the Government of the United States of America on the European Advisory Commission:

JOHN G. WINANT

Representative of the Provisional Government of the French Republic on the European Advisory Commission:

R. MASSIGLI CAMPBELL

25th July, 1945.

SECRET


The Governments of the United States of America, the Union of Soviet Socialist Republics and the United Kingdom and the Provisional Government of the French Republic have reached the following agreement regarding instructions to be issued by the Allied Representatives in Germany:

"We, the Allied Representatives, Commanders-in-Chief of the forces of occupation of the United States of America, the Union of

3 G. Saksin.

4 Signed "ad referendum" on July 25, 1945, at a meeting of the European Advisory Commission at London. Notification of approval by three of the signatories was given by their representatives on the Commission on the following dates: the United Kingdom, August 2; the Soviet Union, September 4; and France, September 10, 1945. On September 8 Winant notified Campbell, Gusev, and Massigli that the United States Government has approved the Agreement of July 25th on Certain Additional Requirements to be Imposed on Germany except for Article [paragraph] 38, which my Government believes is not appropriate for inclusion in a document directed to the Germans. In view of the fact that this subject relates exclusively to arrangements between the occupying Powers and the fact that the European Advisory Commission is no longer active, my Government considers that the Control Council in Berlin is now the proper place for negotiating the subject treated in Article 38." Paragraph 38 was accordingly omitted from the text of the additional requirements approved by the Allied Control Council at Berlin on September 20, which text was issued as the Council's proclamation No. 2 (reprinted in Department of State Bulletin, vol. xiii, p. 515).
Soviet Socialist Republics, the United Kingdom and the French Republic, pursuant to the Declaration regarding the defeat of Germany, signed at Berlin on 5th June, 1945, hereby announce certain additional requirements arising from the complete defeat and unconditional surrender of Germany with which Germany must comply, as follows:—

SECTION I.

1. All German land, naval and air forces, the S. S., S. A., S. D. and Gestapo, with all their organizations, staffs and institutions, including the General Staff, the Officers' Corps, Reserve Corps, military schools, war veterans' organizations and all other military and quasi-military organizations, together with all clubs and associations which serve to keep alive the military tradition in Germany, shall be completely and finally abolished in accordance with methods and procedures to be laid down by the Allied Representatives.

2. All forms of military training, military propaganda and military activities of whatever nature, on the part of the German people, are prohibited, as well as the formation of any organization initiated to further any aspect of military training and the formation of war veterans' organizations or other groups which might develop military characteristics or which are designed to carry on the German military tradition, whether such organizations or groups purport to be political, educational, religious, social, athletic or recreational or of any other nature.

SECTION II.

3. (a) German authorities and officials in all territories outside the frontiers of Germany as they existed on 31st December, 1937, and in any areas within those frontiers indicated at any time by the Allied Representatives, will comply with such instructions as to withdrawing therefrom as they may receive from the Allied Representatives.

(b) The German authorities will issue the necessary instructions and will make the necessary arrangements for the reception and maintenance in Germany of all German civilian inhabitants of the territories or areas concerned, whose evacuation may be ordered by the Allied Representatives.

(c) Withdrawals and evacuations under sub-paragraphs (a) and (b) above will take place at such times and under such conditions as the Allied Representatives may direct.

4. In the territories and areas referred to in paragraph 3 above, there shall immediately be, on the part of all forces under German command and of German authorities and civilians, a complete cessation of all measures of coercion or forced labour and of all measures involving injury to life or limb. There shall similarly cease all
measures of requisitioning, seizure, removal, concealment or destruction of property. In particular, the withdrawals and evacuations mentioned in paragraph 3 above will be carried out without damage to or removal of persons or property not affected by the orders of the Allied Representatives. The Allied Representatives will determine what personal property and effects may be taken by persons evacuated under paragraph 3 above.

SECTION III.

5. The Allied Representatives will regulate all matters affecting Germany's relations with other countries. No foreign obligations, undertakings or commitments of any kind will be assumed or entered into by or on behalf of German authorities or nationals without the sanction of the Allied Representatives.

6. The Allied Representatives will give directions concerning the abrogation, bringing into force, revival or application of any treaty, convention or other international agreement, or any part or provision thereof, to which Germany is or has been a party.

7. (a) In virtue of the unconditional surrender of Germany, and as of the date of such surrender, the diplomatic, consular, commercial and other relations of the German State with other States have ceased to exist.

(b) Diplomatic, consular, commercial and other officials and members of service missions in Germany of countries at war with any of the four Powers will be dealt with as the Allied Representatives may prescribe. The Allied Representatives may require the withdrawal from Germany of neutral diplomatic, consular, commercial and other officials and members of neutral service missions.

(c) All German diplomatic, consular, commercial and other officials and members of German service missions abroad are hereby recalled. The control and disposal of the buildings, property and archives of all German diplomatic and other agencies abroad will be prescribed by the Allied Representatives.

8. (a) German nationals will, pending further instructions, be prevented from leaving German territory except as authorised or directed by the Allied Representatives.

(b) German authorities and nationals will comply with any directions issued by the Allied Representatives for the recall of German nationals resident abroad, and for the reception in Germany of any persons whom the Allied Representatives may designate.

9. The German authorities and people will take all appropriate steps to ensure the safety, maintenance and welfare of persons not of German nationality and of their property and the property of foreign States.
SECTION IV.

10. The German authorities will place at the disposal of the Allied Representatives the whole of the German inter-communication system (including all military and civilian postal and telecommunication systems and facilities and connected matters), and will comply with any instructions given by the Allied Representatives for placing such inter-communication systems under the complete control of the Allied Representatives. The German authorities will comply with any instructions give[n] by the Allied Representatives with a view to the establishment by the Allied Representatives of such censorship and control of postal and telecommunication [sic] and of documents and other articles carried by persons or otherwise conveyed and of all other forms of inter-communication as the Allied Representatives may think fit.

11. The German authorities will comply with all directions which the Allied Representatives may give regarding the use, control and censorship of all media for influencing expression and opinion, including broadcasting, press and publications, advertising, films and public performances, entertainments and exhibitions of all kinds.

SECTION V.

12. The Allied Representatives will exercise such control as they deem necessary over all or any part or aspect of German finance, agriculture (including forestry), production and mining, public utilities, industry, trade, distribution and economy generally, internal and external, and over all related or ancillary matters, including the direction or prohibition of the manufacture, production, construction, treatment, use and disposal of any buildings, establishments, installations, public or private works, plant, equipment, products, materials, stocks or resources. Detailed statements of the subjects to which the present provision applies, together with the requirements of the Allied Representatives in regard thereto, will from time to time be communicated to the German authorities.

13. (a) The manufacture, production and construction, and the acquisition from outside Germany, of war material and of such other products used in connection with such manufacture, production or construction, as the Allied Representatives may specify, and the import, export and transit thereof, are prohibited, except as directed by the Allied Representatives.

(b) The German authorities will immediately place at the disposal of the Allied Representatives all research, experiment, development and design directly or indirectly relating to war or the production of
war material, whether in government or private establishments, factories, technological institutions or elsewhere.

14. (a) The property, assets, rights, titles and interests (whether situated inside or outside Germany) of the German State, its political subdivisions, the German Central Bank, State or semi-State, provincial, municipal or local authorities or Nazi organisations, and those situated outside Germany of any person resident or carrying on business in Germany, will not be disposed of in any way whatever without the sanction of the Allied Representatives. The property, assets, rights, titles and interests (whether situated inside or outside Germany), of such private companies, corporations, trusts, cartels, firms, partnerships and associations as may be designated by the Allied Representatives will not be disposed of in any way whatever without the sanction of the Allied Representatives.

(b) The German authorities will furnish full information about the property, assets, rights, titles and interests referred to in sub-paragraph (a) above, and will comply with such directions as the Allied Representatives may give as to their transfer and disposal. Without prejudice to any further demands which may be made in this connection, the German authorities will hold at the disposal of the Allied Representatives for delivery to them at such times and places as they may direct all securities, certificates, deeds or other documents of title held by any of the institutions or bodies mentioned in sub-paragraph (a) above or by any person subject to German law, and relating to property, assets, rights, titles and interests situated in the territories of the United Nations, including any shares, stocks, debentures or other obligations of any company incorporated in accordance with the laws of any of the United Nations.

(c) Property, assets, rights, titles and interests situated inside Germany will not be removed outside Germany or be transferred or disposed of to any person resident or carrying on business outside Germany without the sanction of the Allied Representatives.

(d) Nothing in sub-paragraphs (a) and (b) above shall, as regards property, assets, rights, titles and interests situated inside Germany, be deemed to prevent sales or transfers to persons resident in Germany for the purpose of maintaining or carrying on the day-to-day national life, economy and administration, subject to the provisions of sub-paragraph 19 (b) and (c) below and to the provisions of the Declaration or of any proclamations, orders, ordinances or instructions issued thereunder.

15. (a) The German authorities and all persons in Germany will hand over to the Allied Representatives all gold and silver, in coin or bullion form, and all platinum in bullion form, situated in Germany, and all such coin and bullion situated outside Germany as is
possessed by or held on behalf of any of the institutions or bodies mentioned in sub-paragraph 14 (a) above or any person resident or carrying on business in Germany.

(b) The German authorities and all persons in Germany will hand over in full to the Allied Representatives all foreign notes and coins in the possession of any German authority, or of any corporation, association or individual resident or carrying on business in Germany, and all monetary tokens issued or prepared for issue by Germany in the territories formerly occupied by her or elsewhere.

16. (a) All property, assets, rights, titles and interests in Germany held for or belonging to any country against which any of the United Nations is carrying on hostilities, or held for or belonging to the nationals of any such country, or of any persons resident or carrying on business therein, will be taken under control and will be preserved pending further instructions.

(b) All property, assets, rights, titles and interests in Germany held for or belonging to private individuals, private enterprises and companies of those countries, other than Germany and the countries referred to in sub-paragraph (a) above, which have at any time since 1st September, 1939, been at war with any of the United Nations, will be taken under control and will be preserved pending further instructions.

(c) The German authorities will take all necessary steps to ensure the execution of the provisions of sub-paragraph (a) and (b) above, will comply with any instructions given by the Allied Representatives for that purpose, and will afford all necessary information and facilities in connection therewith.

17. (a) There shall, on the part of the German authorities and people, be no concealment, destruction, scuttling or dismantling of, removal or transfer of, nor damage to, ships, transport, ports or harbours, nor to any form of building, establishment, installation, device, means of production, supply, distribution or communication, plant, equipment, currency, stocks or resources, or, in general, public or private works, utilities or facilities of any kind, wherever situated.

(b) There shall be no destruction, removal, concealment, suppression or alteration of any documents, records, patents, drawings, specifications, plans or information, of any nature, affected by the provisions of this document. They shall be kept intact in their present locations until further directions are given. The German authorities will afford all information and facilities as required by the Allied Representatives in connection therewith.

(c) Any measures already ordered, undertaken or began [sic] contrary to the provisions of sub-paragraphs (a) and (b) above will be immediately countermanded or discontinued. All stocks, equip-
ment, plant, records, patents, documents, drawings, specifications, plans or other material already concealed within or outside Germany will forthwith be declared, and will be dealt with as the Allied Representatives may direct.

(d) Subject to the provisions of the Declaration or any proclama-
tions, orders, ordinances or instructions issued thereunder, the German authorities and people will be responsible for the preserva-
tion, safeguarding and upkeep of all forms of property and materials affected by any of the said provisions.

e) All transport material, stores, equipment, plant, establishments, installations, devices and property generally, which are liable to be surrendered or delivered under the Declaration or any proclamations, orders, ordinances or instructions issued thereunder, will be handed over intact and in good condition, or subject only to ordinary wear and tear and to any damage caused during the continuance of hostilities which it has proved impossible to make good.

18. There shall be no financial, commercial or other intercourse with, or dealings with or for the benefit of, countries at war with any of the United Nations, or territories occupied by such countries, or with any other country or person specified by the Allied Representatives.

SECTION VI.

19. (a) The German authorities will carry out, for the benefit of the United Nations, such measures of restitution, reinstatement, restoration, reparation, reconstruction, relief and rehabilitation as the Allied Representatives may prescribe. For these purposes the German authorities will effect or procure the surrender or transfer of such property, assets, rights, titles and interests, effect such deliveries and carry out such repair, building and construction work, whether in Germany or elsewhere, and will provide such transport, plant, equipment and materials of all kinds, labour, personnel, and specialist and other services, for use in Germany or elsewhere, as the Allied Representatives may direct.

(b) The German authorities will also comply with all such directions as the Allied Representatives may give relating to property, assets, rights, titles and interests located in Germany belonging to any one of the United Nations or its nationals or having so belonged at, or at any time since, the outbreak of war between Germany and that Nation, or since the occupation of any part of its territories by Germany. The German authorities will be responsible for safeguarding, maintaining, and preventing the dissipation of, all such property, assets, rights, titles and interests, and for handing them over intact at the demand of the Allied Representatives. For these
purposes the German authorities will afford all information and facilities required for tracing any property, assets, rights, titles or interests.

(c) All persons in Germany in whose possession such property, assets, rights, titles and interests may be shall be personally responsible for reporting them and safeguarding them until they are handed over in such manner as may be prescribed.

20. The German authorities will supply free of cost such German currency as the Allied Representatives may require, and will withdraw and redeem in German currency, within such time limits and on such terms as the Allied Representatives may specify, all holdings in German territory of currencies issued by the Allied Representatives during military operations or occupation, and will hand over the currencies so withdrawn free of cost to the Allied Representatives.

21. The German authorities will comply with all such directions as may be issued by the Allied Representatives for defraying the costs of the provisioning, maintenance, pay, accommodation [sic] and transport of the forces and agencies stationed in Germany by authority of the Allied Representatives, the costs of executing the requirements of unconditional surrender, and payment for any relief in whatever form it may be provided by the United Nations.

22. The Allied Representatives will take and make unrestricted use (whether inside or outside Germany) of any articles referred to in paragraph 12 above which the Allied Representatives may require in connection with the conduct of hostilities against any country with which any of their respective Governments is at war.

SECTION VII.

23. (a) No merchant ship, including fishing or other craft, shall put to sea from any German port except as may be sanctioned or directed by the Allied Representatives. German ships in ports outside Germany shall remain in port and those at sea shall proceed to the nearest German or United Nations port and there remain, pending instructions from the Allied Representatives.

(b) All German merchant shipping, including tonnage under construction or repair, will be made available to the Allied Representatives for such use and on such terms as they may prescribe.

(c) Foreign merchant shipping in German service or under German control will likewise be made available to the Allied Representatives for such use and on such terms as they may prescribe. In the case of such foreign merchant vessels which are of neutral registration, the German authorities will take all such steps as may be required by the Allied Representatives to transfer or cause to be transferred to the Allied Representatives all rights relative thereto.

(d) All transfer to any other flag, service or control, of the vessels
covered by sub-paragraphs (b) and (c) above, is prohibited, except as may be directed by the Allied Representatives.

24. Any existing options to repurchase or reacquire or to resume control of vessels sold or otherwise transferred or chartered by Germany during the war will be exercised as directed by the Allied Representatives. Such vessels will be made available for use by the Allied Representatives in the same manner as the vessels covered by sub-paragraphs 23 (b) and (c) above.

25. (a) The crews of all German merchant vessels or merchant vessels in German service or under German control will remain on board and will be maintained by the German authorities pending further instructions from the Allied Representatives regarding their future employment.

(b) Cargoes on board any such vessels will be disposed of in accordance with instructions given to the German authorities by the Allied Representatives.

26. (a) Merchant ships, including fishing and other craft of the United Nations (or of any country which has broken off diplomatic relations with Germany) which are in German hands, wherever such ships may be, will be surrendered to the Allied Representatives, regardless of whether title has been transferred as the result of prize court proceedings or otherwise. All such ships will be surrendered in good repair and in seaworthy condition in ports and at times to be specified by the Allied Representatives, for disposal as directed by them.

(b) The German authorities will take all such steps as may be directed by the Allied Representatives to effect or complete transfers of title to such ships regardless of whether the title has been transferred as the result of prize court proceedings or otherwise. They will secure the discontinuance of any arrests of or proceedings against such ships in neutral ports.

27. The German authorities will comply with any instructions given by the Allied Representatives for the destruction, dispersal, salvaging, reclamation or raising of wrecked, stranded, derelict or sunken vessels, wherever they may be situated. Such vessels salvaged, reclaimed or raised shall be dealt with as the Allied Representatives direct.

28. The German authorities will place at the unrestricted disposal of the Allied Representatives the entire German shipping, shipbuilding and ship repair industries, and all matter and facilities directly or indirectly relative or ancillary thereto, and will provide the requisite labour and specialist services. The requirements of the Allied Representatives will be specified in instructions which will from time to time be communicated to the German authorities.

[No. 1038]
SECTION VIII.

29. The German authorities will place at the unrestricted disposal of the Allied Representatives the whole of the German inland transport system (road, rail, air and waterways) and all connected material, plant and equipment, and all repair, construction, labour, servicing and running facilities, in accordance with the instructions issued by the Allied Representatives.

30. The production in Germany and the possession, maintenance or operation by Germans of any aircraft of any kind, or any parts thereof, are prohibited.

31. All German rights in international transport bodies or organisations, and in relation to the use of transport and the movement of traffic in other countries and the use in Germany of the transport of other countries, will be exercised in accordance with the directions of the Allied Representatives.

32. All facilities for the generation, transmission and distribution of power, including establishments for the manufacture and repair of such facilities, will be placed under the complete control of the Allied Representatives, to be used for such purposes as they may designate.

SECTION IX.

33. The German authorities will comply with all such directions as the Allied Representatives may give for the regulation of movements of population and for controlling travel or removal on the part of persons in Germany.

34. No person may leave or enter Germany without a permit issued by the Allied Representatives or on their authority.

35. The German authorities will comply with all such directions as the Allied Representatives may give for the repatriation of persons not of German nationality in or passing through Germany, their property and effects, and for facilitating the movements of refugees and displaced persons.

SECTION X.

36. The German authorities will furnish any information and documents, and will secure the attendance of any witnesses, required by the Allied Representatives for the trial of

(a) the principal Nazi leaders as specified by the Allied Representatives and all persons from time to time named or designated by rank, office or employment by the Allied Representatives as being suspected of having committed, ordered or abetted war crimes or analogous offences;

(b) any national of any of the United Nations who is alleged to have committed an offence against his national law and who may at any
time be named or designated by rank, office or employment by the Allied Representative [sic];

and will give all aid and assistance for these purposes.

37. The German authorities will comply with any directions given by the Allied Representatives in regard to the property of any person referred to in sub-paragraphs 36 (a) and (b) above, such as its seizure, custody or surrender.

38. Any person referred to in sub-paragraph 36 (b) above who may be apprehended or surrendered to the Allied Representatives will be handed over immediately, on demand, to the Government of the United Nation concerned.

SECTION XI.

39. The National Socialist German Workers' Party (NSDAP) is completely and finally abolished and declared to be illegal.

40. The German authorities will comply promptly with such directions as the Allied Representatives may issue for the abolition of the National Socialist Party and of its subordinate organizations, affiliated associations and supervised organizations, and of all Nazi public institutions created as instruments of Nazi domination, and of such other organizations as may be regarded as a threat to the security of the Allied forces or to international peace, and for prohibiting their revival in any form; for the dismissal and internment of Nazi personnel; for the control or seizure of Nazi property and funds; and for the suppression of Nazi ideology and teaching.

41. The German authorities and German nationals will not allow the existence of any secret organizations.

42. The German authorities will comply with such directions as the Allied Representatives may issue for the repeal of Nazi legislation and for the reform of German law and of the German legal, judicial, administrative, police and educational systems, including the replacement of their personnel.

43. (a) The German authorities will comply with such directions as the Allied Representatives may issue for the rescinding of German legislation involving discrimination on grounds of race, colour, creed, language or political opinions, and for the cancellation of all legal or other disabilities resulting therefrom.

(b) The German authorities will comply with such directions as the Allied Representatives may issue regarding the property, assets, rights, titles and interests of persons affected by legislation involving discrimination on grounds of race, colour, creed, language or political opinions.

44. No person shall be prosecuted or molested by the German authorities or by German nationals on grounds of race, colour, creed,
language or political opinions, or on account of any dealings or sympathies with the United Nations, including the performance of any action calculated to facilitate the execution of the Declaration or of any proclamations, orders, ordinances or instructions issued thereunder.

45. In any proceedings before any German Court or authority judicial notice shall be taken of the provisions of the Declaration and of all proclamations, orders, ordinances and instructions issued thereunder, which shall override any provisions of German law inconsistent therewith.

SECTION XII.

46. Without prejudice to any specific obligations contained in the provisions of the Declaration or any proclamations, orders, ordinances or instructions issued thereunder, the German authorities and any other person in a position to do so will furnish or cause to be furnished all such information and documents of every kind, public and private, as the Allied Representatives may require.

47. The German authorities will likewise produce for interrogation and employment by the Allied Representatives upon demand any and all persons whose knowledge and experience would be useful to the Allied Representatives.

48. The Allied Representatives will have access at all times to any building, installation, establishment, property or area, and any of the contents thereof, for the purposes of the Declaration or any proclamations, orders, ordinances or instructions issued thereunder, and in particular for the purposes of safeguarding, inspecting, copying or obtaining any of the desired documents and information. The German authorities will give all necessary facilities and assistance for this purpose, including the service of all specialist staff, including archivists.

SECTION XIII.

49. In the event of any doubt as to the meaning or interpretation of any term or expression in the Declaration and in any proclamations, orders, ordinances and instructions issued thereunder, the decision of the Allied Representatives shall be final."

The above text of the Agreement between the Governments of the United States of America, the Union of Soviet Socialist Republics and the United Kingdom and the Provisional Government of the French Republic on certain Additional Requirements to be imposed
on Germany has been prepared and unanimously adopted by the European Advisory Commission at a meeting held on 25th July, 1945.

Representative of the Government of the United States of America on the European Advisory Commission: 

JOHN G. WINANT

Representative of the Government of the Union of Soviet Socialist Republics on the European Advisory Commission: 

P. CARCHÈ

Representative of the Provisional Government of the French Republic on the European Advisory Commission: 

RONALD I. CAMPBELL

R. MASSIGLI

LANCASTER HOUSE, LONDON, S. W. 1.
25th July, 1945.

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5 G. Saksin.

COAL AND FOOD

No. 1039

740.00119 (Potsdam)/7-1945: Telegram

The Assistant Secretary of State (Clayton) and the Adviser on German Economic Affairs (Despres) to the Deputy to the Assistant Secretary of State for Economic Affairs (Thorp)¹

SECRET

BABELSBERG, July 18, 1945.

VICTORY 56. For Thorp from Clayton and Despres.
Please advise us whether Soviet [Union] has been informed of U. S. proposal for directive on German coal production and exports.²

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¹ Sent to the Acting Secretary of State over the signature of Byrnes.
² See vol. i, document No. 420.

No. 1040

840.6362/7-1945: Telegram

The Deputy to the Assistant Secretary of State for Economic Affairs (Thorp) to the Assistant Secretary of State (Clayton) and the Adviser on German Economic Affairs (Despres)¹

SECRET

[WASHINGTON,] July 18 [1945.]

52. For Clayton and Despres from Thorp. Proposed coal directive, as revised in Aide-Mémoire to the British dated July 10 [11],² copy of which you have with you, has not been submitted to Russians, nor

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¹ Sent to the Secretary of State at Babelsberg over the signature of Grew.
² Document No. 432, printed in vol. i.

[No. 1040]
has any comment been received from British, and therefore program is not yet in effect. Blaisdell and Winant suggested from London that directive, and proposal to use ECO as allocating body for surplus coal available in Germany for Western Europe should be referred to Russians in connection with Potsdam Meeting agenda. This suggestion came after you left, and it was felt that presentation to Russians here would not reach Moscow in time for any action. We also considered asking Moscow Embassy to present both directive and ECO proposal to Russians but decided that since Harriman and members of his staff would be coming to Berlin, the matter could more appropriately be raised there. Therefore no communication on coal has been given to Russians. Please advise if you wish action taken.

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2 See vol. 1, document No. 200.

No. 1041
Pauley Files

Draft of Report by the Economic Subcommittee

[Extract]

[Undated.]

Draft Report of the Economic Sub-Committee

A. Economic Principles

The U. S. and U. K. representatives have agreed to paragraph 13 (c) of the Economic Principles only on the assumption that "Germany" is Germany as it existed on the 31st December, 1937. On this assumption they maintain that the principle should be accepted that, in the absence of special reasons to the contrary, the food and fuel requirements of the Greater Berlin area should be drawn from those areas in Germany from which they were derived before the war. On the other hand, if any part of Germany as it existed on the 31st December, 1937 is to be administered by, or transferred to, Poland, suitable arrangements should be made for the rest of Germany, including the Greater Berlin area, to have a prior claim to the surplus food and coal produced in such transferred territory to meet deficiencies in local supplies. This arrangement should last at least for so long as the extreme shortage of coal and foodstuffs

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1 The text here printed includes a number of minor manuscript revisions.

2 For the other sections of this draft report, see document No. 859.

3 See appendix A to document No. 859.
continues. The Soviet representatives do not accept this principle and maintain that, whatever the frontiers of Germany may be, equitable distribution of essential commodities between zones should take place.

No. 1042

103.91/3: Telegram

The Chief of the Mission for Economic Affairs in the United Kingdom (Blaisdell) to the Deputy Solid Fuels Administrator for War (Potter)\(^1\)

SECRET

London, July 21, 1945—11 p. m.

US URGENT

7382. To Batt from Blaisdell for Potter. Sumoc 290.

1. Have been advised most confidentially (repeat most confidentially) regarding findings and recommendations resulting from survey of UK large coal position by official working party. (Ref last pg 2 our Sumoc 285, July 18\(^2\)).

2. War Cabinet now considering this report. Will probably act affirmatively on recommendations which we summarize in pg 3 below for your confidential information. We consider this important as indicating position which British will take at Potsdam.

3. The recommendations may be summarized as follows.

(a) The UK large coal position is such that it is impossible to even contemplate export of large coal after Aug. All exports of loco and gas coal to NW Europe should therefore cease at the end of Aug.

(b) The UK general coal position is such that it is impossible to export any coal which is at all usable in the UK after Sept exports of 110,000 tons to NW Europe and 40,000 tons to the Mediterranean[.]

(c) The US should be urged to continue the bunker arrangements after Aug to enable the UK to bunker the recently mobilized Scandinavian and German prize ships. This will require about 100,000 tons a month until arrangements can be made to reduce the UK burden by bunkering these ships from Polish and Silesian sources.

(d) In Sept and thereafter the UK should make available 50/100,000 tons extremely low grade fuel which are not usable in UK.

4. We recognize that you were already made aware of above eventualities during your stay in London and by our Sumoc 285. We consider you should know this is now highest level UK position.

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\(^1\) Sent to the Acting Secretary of State over the signature of Winant.

\(^2\) Not printed.

[No. 1042]
No. 1043

Department of the Army: File

The Director of the Division of Ship Requirements, War Shipping Administration (Bissell) to Mr. M. F. Millikan, of the Division of Ship Requirements, War Shipping Administration

CONFIDENTIAL

BABELSBERG, 22 July 1945.

PRIORITY

VICTORY 204. To Conway for Millikan WSA Washington from Bissell.

1. In preliminary discussion of coal problems Leathers has stated that U. K. cannot export any coal whatever to any destination after August shipments for September arrival excepting anthracite duks for briquetting and special grades required North Africa.

2. He is most anxious to continue to obtain not less than 90,000 tons per month of bunker coal from U. S. especially in view of assumption by U. K. of responsibility for bunkers for captured and released shipping to extent of about 70,000 tons per month.

3. Have advised Leathers that MWT might have to make cash purchases. He will discuss financial arrangements with Clayton and Collado here.¹

4. Request you discuss with Potter and advise urgently his views on availability of coal from U. S. and reasonableness of British refusal to continue exports.

5. Bissell plans to go to London 23rd or 24th therefore reply should be to London.

¹ No documentation on the substance of such a discussion has been found. For an indication that Clayton did discuss the coal question with members of the British Delegation, see document No. 1049.

No. 1044

Byrnes Papers

The British Foreign Secretary (Eden) to the Secretary of State

BERLIN, 23rd July 1945.

DEAR SECRETARY OF STATE[::] You will remember that our two Departments have discussed certain amendments to the Directive on coal production which the President suggested should be issued to our Zone Commanders in Germany.¹ We have now considered the revised draft directive which was handed to members of the British

¹ See vol. 1, document No. 420.
Embassy in Washington on July 11th, and I am glad to say that we find ourselves in agreement with it. We are therefore arranging to have a Directive in the same terms issued forthwith as an interim instruction to the British Zone Commander.

2. I understand that it was the intention of the President to discuss this Directive with Marshal Stalin here, but I do not know whether he intends to raise it at a Plenary Session or find some other opportunity. I should be glad to have your views on this.

3. Coal remains one of the most dangerous world shortages and in our view it is important that we should obtain Russian support for the European Coal Organisation. If we can get this, it will be easier to bring the Poles in as well. Perhaps therefore, if this question is to be raised at a Plenary Session, it might best come up under the heading of "co-operation in solving European economic problems" which you have put on your agenda.

Yours sincerely

ANTHONY EDEN

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2 See vol. 1, document No. 432.
3 Field Marshal Sir Bernard Montgomery.
4 See document No. 1161.

No. 1045

Pauley Files

Proposal by the British Delegation

[Extract]

A TENTATIVE SUGGESTION FOR AMENDMENTS TO THE PROPOSALS ON REPARATIONS OF THE GOVERNMENT OF THE UNITED STATES

Note: The Soviet Government might be asked to enter into an undertaking as regards valuable foodstuffs and coal in the Russian Zone of Germany as it existed in 1937 being made available to the rest of Germany in accordance with detailed terms to be drawn up by the Control Council after full enquiry into the effects. This agreement might run for 12 months and be subject to reconsideration thereafter.

S. D. WALEY

[BAEBLSBERG], 23rd July, 1945.

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1 Printed from a carbon copy on which there is an uncertified typed signature.
2 For the other sections of this proposal, see document No. 917.

[No. 1045]
No. 1046

Truman Papers

President Truman to Generalissimo Stalin

WASHINGTON [Babelsberg], 27 July 1945.

MEMORANDUM FOR GENERALISSIMO STALIN

An acute coal famine threatens Europe this winter unless German coal in substantial quantities can be made available for export. Despite our own shortages of coal, internal transportation and ocean shipping, we are now shipping coal to Europe as an emergency measure in order to provide some relief in the present crisis. It is obvious, however, that with our large commitment of industrial and military resources in the war against Japan, the quantities of coal which we can make available to Europe will be inadequate to cover pressing European needs. To meet these needs all possible measures should immediately be taken to increase coal production in Germany and to make the maximum quantities available for export.

In order to avoid delay, I have directed the United States Commander-in-Chief\(^1\) to take the necessary measures in his zone of occupation. I understand that the British and French Governments have issued similar directives to their respective commanders in Germany.\(^2\) A copy of the directive to General Eisenhower is attached.

I am most anxious that a common policy in respect to coal should be followed by the four occupying powers, and I have therefore instructed General Eisenhower to discuss the policy set forth in the above directive at the Allied Control Council at the earliest possible date. I trust that the Soviet Government will see their way to joining with us in this policy. It is my hope that they will be prepared to instruct their Commander-in-Chief\(^3\) to take similar action in the portions of Germany occupied by Soviet forces, and to proceed with the formulation in the Control Council of a coal production and export program for Germany as a whole.

HARRY S. TRUMAN

[Attachment]

DIRECTIVE TO COMMANDER OF U. S. FORCES IN GERMANY\(^4\)

Unless large quantities of coal are made available to liberated Europe in forthcoming months, there is grave danger of such political and economic chaos as to prejudice the re-deployment of Allied troops and to jeopardize the achievement of the restoration of economic

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1 General of the Army Dwight D. Eisenhower.
2 Field Marshal Sir Bernard Montgomery and General Joseph-Pierre Koenig.
3 Marshal of the Soviet Union Georgy Konstantinovich Zhukov.
4 This directive was issued to Eisenhower by the Joint Chiefs of Staff on July 26 (telegram No. VICTORY 398).
stability which is the necessary basis for a firm and just peace. Adequate quantities of coal for the greater part of Europe cannot, as a practical matter, be obtained from any source other than Germany. It is a matter of great urgency that Germany be made to produce for export to other European nations the coal which they must have to support economic life on at least a minimum basis.

You are therefore directed in your capacity of Commanding General of United States Forces in Germany and as United States member of the Allied Control Council, to take all steps necessary to achieve the following objectives:

1. To make available for export out of the production of the coal mines in Western Germany a minimum of 10 million tons of coal during 1945, and a further 15 million tons by the end of April, 1946.

2. To the extent necessary to accomplish the export of 25 million tons of coal at the rate directed, to assign the highest priority to all matters pertaining to maximizing the production and transportation of German coal, in particular the provisioning of mining supplies, transportation facilities, and food supplies adequate to maintain mining labor at the requisite level of efficiency. This requirement should be subordinate only to the civil and military requirements necessary to insure the safety, security, health, maintenance, and operation of the occupying forces and to insure the speedy redeployment of allied forces from Germany.

3. To recommend to the Control Council (a) an assignment to the production and export of coal from Eastern Germany of an urgency as great as that implied in the required export of 25 million tons of coal from Western Germany by the end of April, 1946, and (b) the formulation of a coordinated program for Germany as a whole covering the production, distribution, and export of coal.

4. To assist in every reasonable way, efforts to maximize the production of coal in other zones of occupation than your own.

5. To recommend to the Control Council, and to follow in your zone of occupation, the principle that in allocating coal within Germany, the export of coal is to take precedence over the use of coal for industrial production and civilian purposes within Germany to the extent necessary to accomplish the export of 25 million tons of coal from Western Germany at the rate suggested and to comply with paragraph 3, above, subject only to the requirements set out in paragraph 2, above.

It is recognized that the following of this policy during the period of critical coal shortage will delay the resumption of industrial activity in Germany. It is also recognized that the carrying out of the above policies with respect to German coal may cause unemployment, unrest, and dissatisfaction among Germans of a magnitude which may necessitate firm and rigorous action. Any action required to control the situation will be fully supported.

6. To make available to the European Coal Organization full and complete details of coal production and coal allocations within Germany, in order that the member nations of the European Coal Organization may know the relationship that prevails between the
level of coal consumption in Germany and the level of coal consumption in liberated Europe.

7. To assign a high priority to the production and export of brown coal briquettes and of additional quantities of other coal in excess of the 25 million tons specified in paragraph 1.

8. A similar directive is being issued to the United Kingdom and French zonal commanders by their respective governments.

No. 1047

Pauley Files

The Representative on the Allied Commission on Reparations (Pauley) to the Secretary of State

BERLIN, July 28, 1945.

MY DEAR MR. SECRETARY: In calculating the food supplies from the official statistical records we find that taking all kinds of food together there was a total deficiency (grain, meats, fats, etc.) in 1936 for Germany, as constituted in 1937 of 5,700,000 tons. However, in the zone now occupied by the USSR there was a surplus of 2,650,000 tons. This meant a net deficiency in the western zones occupied by the US, UK and France (including Berlin) of 8,350,000 tons.

The present situation differs from that before the war in three major respects:

(a) The efficiency of collections from the farms will probably be greatly reduced. We estimate a drop of 25% below prewar normal for the next year or two.

(b) The food consumption standard of urban consumers will be reduced. We estimate that average consumption should be about 2,300 calories per day which was the average urban civilian diet in Germany in 1943-44.

(c) In view of world shortages of meats, fats and oils and other quality foods, the bulk of German caloric deficiencies will have to be made good by grain imports.

We estimate that the amount of grain which Germany as a whole will have to import annually during the next year or two to offset her deficit of all foods will be about 4,400,000 tons, worth 565,000,000 Reichsmarks. In contrast, the Russian zone should probably show a food surplus of 1,200,000 tons in grain equivalent; valued at 150,000,000 Reichsmarks. The zones occupied by the US, UK and France (including Berlin), on the other hand, will have to import about 5,600,000 tons of grain to meet their total food deficiencies. The value of this grain would be about 715,000,000 Reichsmarks.

In addition to the surplus of grains in the USSR zone noted above, past experience shows there is good reason to believe that there will

1 Printed from a carbon copy on which there is an uncertified typed signature.
be a surplus of other types of commodities. The following figures show net shipments out of the USSR zone in metric tons for 1936:

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brown coal</td>
<td>3,492,000</td>
</tr>
<tr>
<td>Potash fertilizer</td>
<td>1,182,000</td>
</tr>
<tr>
<td>Pit props</td>
<td>448,000</td>
</tr>
<tr>
<td>Clay products</td>
<td>1,258,000</td>
</tr>
</tbody>
</table>

In discussing this problem with Mr. Molotov may I suggest that you call to his attention the following important argument, namely: It is proposed that 12½% (10% British proposal—12½% compromise) of all equipment removed from the western zones should go to the USSR. This is a net and free delivery to Russia from Germany. On the other hand the food which Russia would send into our zone, or to the Control Council from eastern Germany, under our proposal would be paid for in Reichsmarks. In other words this food would be of no direct cost or expense to the Russian Government if produced in Germany. The 12½% of removables that would thus be turned over to USSR in return for food and other goods would, in final analysis, cost the Russians nothing.

Sincerely yours,

EDWIN W. PAULEY

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No. 1048

Truman Papers

*Generalissimo Stalin to President Truman*

[Translation]

BERLIN, July 29, 1945.

DEAR MR. PRESIDENT: I have received your memorandum of July 27 concerning German coal and a copy of your directive to General Eisenhower.

The important question set forth in your memorandum concerning the use of German coal to satisfy European needs will be subject to appropriate study. The Government of the United States will be informed of the point of view of the Soviet Government on this question.

I must however state that we should avoid a situation arising whereby the taking of measures on the export of German coal would lead to any disturbances in Germany, concerning which mention is made in your directive to General Eisenhower,—and this seems to me fully possible and necessary from the point of view of the interests of the Allied Governments.

I. STALIN

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¹ Document No. 1046.
No. 1049

Department of the Army Files: Telegram

The Assistant Secretary of State (Clayton) to the Chief of the Mission for Economic Affairs in the United Kingdom (Blaisdell)¹

SECRET

[BABELSBERG], July 29, 1945.

VICTORY 416. For Blaisdell from Clayton.

I am informed that War Cabinet adopted substantially the recommendations outlined in your 7382, July 21 to Washington.² Believe we should strongly urge the British to revise this decision and to maintain export to Europe of usable grades of U. K. coal at former rates. Our allocation of six million tons for Europe will in any event arouse some criticism, owing to Prospective shortage for domestic heating and to our strained shipping and inland transport position. If at same time exports from U. K. are discontinued criticism will be accentuated. Despite tightness of British coal position, it should be possible to maintain quarter of a million tons monthly for European relief instead of transferring whole supply burden to U. S.

¹ Sent over the signature of Byrnes.
² Document No. 1042.

No. 1050

862.3/027-3045

The Third Secretary of the British Embassy (Miles) to the Assistant Adviser on German Economic Affairs (de Wilde)

Ref. G269/-/45

WASHINGTON, July 30, 1945.

MY DEAR deWILDE, I enclose an Aide-Mémoire relating to the draft directive on coal production in Germany.

Presumably you will be hearing from Potsdam yourself about the discussions that have taken place there. I do not know whether you consider any further coordination is necessary over the timing of the two directives.

Yours sincerely,

RICHARD MILES

[Enclosure]

AIDE-MÉMOIRE

His Majesty's Government have given consideration to the revised directive to the American Commander-in-Chief in Europe,¹ which was handed to this Embassy with the State Department's Aide-Mémoire of July 11th,² concerning coal production in Germany.

¹ Attachment to document No. 1046.
² Document No. 432, printed in vol. 1.
The question has been discussed in the British Delegation at the Berlin Conference and the Foreign Secretary has now informed Mr. Byrnes that His Majesty's Government are in agreement with the terms of the revised directive and will arrange for a directive in the same terms to be issued to Field Marshal Montgomery as interim instructions.

WASHINGTON, July 30, 1945.

3 See document No. 1044.

No. 1051

740.00119 (Potsdam)7-3045

Proposal by the British Delegation

[BABELSBERG,] July 30, 1945.

SOURCE OF SUPPLY FOR THE ZONES OF OCCUPATION, INCLUDING THE GREATER BERLIN AREA

BRITISH PROPOSAL

(a) As a general principle in the absence of special reasons for the contrary, each of the Zones of Occupation, including the Greater Berlin Area, will draw its supplies as far as practicable from the areas of Germany on which it had drawn before the war.

(b) Food—During the period until the 1946 harvest is available for consumption, it is recognized that the Zone of Occupation for which the Soviet Government are responsible may have little or no surplus foodstuffs to supply to the Western Zones. But during this period the Zone of Occupation for which the Soviet Government are responsible should supply enough food to ensure that this Zone and the whole of the Greater Berlin Area will be self-supporting and will maintain a nutritional standard up to the minimum level established by the Control Council for Germany as a whole without foodstuffs having to be imported from the Western Zones.

From the 1946 harvest onwards, the Zone of Occupation for which the Soviet Government are responsible should provide for supplies to the Greater Berlin Area and also to the Western Zone to approximately such extent as was customary in the past. This follows as a result of the general principle of treating Germany as a single economic unit.

(c) Coal—That part of German territory within the 1937 frontiers which is administered at present by Poland should supply 5 million

1 Attachment 3 to the summary of the Tenth Meeting of the Foreign Ministers, July 30. See ante, pp. 486, 497.

[No. 1051]
tons of hard coal a year to the Western Zones and to the Greater Berlin Area for a period of 3 years.

(a) Alternatively, an agreement covering specific quantities of food and coal and other fuel should be worked out by the Control Council, and when such an agreement has been concluded, this agreement and the agreement that the Soviet Government should obtain industrial plant from the Western Zones and, particularly, from the Ruhr,\(^2\) will come into operation simultaneously.

\(^2\) Cf. document No. 960.

No. 1052

740.00119 Potsdam/8-145

Proposal by the British Delegation\(^1\)

[BABELSBERG, August 1, 1945.]

Note

It was agreed \(^2\) that the British and American Commanders would provide 40,000 tons of food a month and 2,400 tons of coal a day for the British and American Zones in Berlin for thirty days running from July 15th. Pending the establishment of an agreement for the instalments of commodities to be made available by the Soviet Government under paragraph 4 (a) of the Reparations Agreement,\(^3\) the Control Council should be instructed to draw up immediately a programme of the food, coal and fuel which will need to be imported during the next six months into the Greater Berlin area to bring the standard of the whole of the population of that area up to an agreed level. These amounts will be furnished by the Soviet Government to the Greater Berlin area as an advance delivery under paragraph 4 (a) of the Reparations Agreement.

\(^1\) This paper bears the following manuscript notation by Yost: "Brit[ish] Proposal presented to Conference Aug[ust] 1. Stalin asked for time to study". See ante, pp. 570–571.

\(^2\) See vol. 1, document No. 433.

\(^3\) See document No. 1383, section iii.

Editor’s Note.—For the language on these subjects included in the Protocol, see post, page 1485, paragraph 17, and pages 1485–1486, paragraph 4 (a). For the corresponding passages in the Communiqué, see post, pages 1505, 1506.
GERMANY

TRANSFERS OF POPULATION

No. 1053

740.00119 Control (Germany)/7-1745

The Secretary of War (Stimson) to the President

[Extract?]

TOP SECRET

MEMORANDUM FOR THE PRESIDENT

. . . I would be disposed to grant to Poland some areas on her western boundaries which would tend to compensate her for the territory to be ceded to Russia. I feel however, that the burden is upon Russia to show that suitable provisions will be made to care for the millions of Germans now in those areas. We must make it clear that they cannot be shunted to American responsibility. . . .

HENRY L. STIMSON

1 Submitted to Byrnes for transmittal to Truman (see document No. 849).
2 For the other portions of this memorandum, see the enclosure to document No. 849 and document No. 1022.

No. 1054

740.00119 Control (Germany)/7-3145: Telegram

The Secretary of State to the Appointed Ambassador to Poland (Lane)

TOP SECRET

US URGENT

VICTORY 454, 455, 456. The three Governments participating in the Berlin Conference have reached the following agreement regarding the transfer of German populations to Germany:

"July 31, 1945. [Here follows the text of document No. 1383, section XIII (XII).]"

Please concert with your Soviet and British colleagues for communicating the foregoing to the Provisional Government of Poland.

1 Sent to the Acting Secretary of State, Washington, and relayed to Warsaw. The same message was relayed to the Representative at Budapest (Schoenfeld) and the Chargé at Prague (Kilforth), with appropriate modifications in the penultimate paragraph.

It appears from Byrnes' telegram No. 6842 to the American Embassy at London, dated August 13, 1945 (file No. 840.50 UNRRA/8-1345), that on August 1, at the Berlin Conference, Byrnes gave or sent to Molotov a memorandum (not found) dealing with (a) aid through the United Nations Relief and Rehabilitation Administration to displaced persons in enemy and ex-enemy territory and (b) assistance to displaced persons who did not wish to be repatriated.

[No. 1054]
You should ask that the communication be treated as strictly secret until an official statement is issued by the conference. Sent to Warsaw, Prague and Budapest.

EDITOR'S NOTE.—For the final Conference texts on this subject, as included in the Protocol and Communiqué, see post, pages 1495, 1511.

ALLEGED ANTI-SOVIET ACTIVITIES

No. 1055

740.00119 Control (Germany) 7-2545

The Soviet Delegation to the United States Delegation

[Translation—Extract 1]

AIDE-MÉMOIRE

Information has also been received concerning similar activities of white-immigrants in Germany in the zone of the First French Army. Here this activity is carried on under the active support on the part of the French military authorities from the “Sécurité Militaire”. In the British and American zones of occupation the leadership of the hostile activities vis-à-vis the U. S. S. R. is carried on by the so-called Committee led by the white-immigrants, General Skoropadsky, Kostyushchenko, Mironenko and Shmege. According to information received by the Soviet military authorities this Committee in June 1945 created the so-called “Ukrainian Committees” in a number of German cities, including Weissenburg, Kassel and Nuremberg. Each member of such committee is supplied with certificates prepared in a print shop of the “Central Committee”. On each certificate there is the seal and signature of the “President of the Free Ukraine”. Persons supplied with these certificates are free to move about in the Allied zones of occupation in Germany and carry on without hinder [hindrance?] hostile activities vis-à-vis the U. S. S. R. in camps for Soviet citizens located in the British, American and French zones.

The Soviet Government considers it necessary to draw to the attention of the Government of the United States of America and of the British Government the above-mentioned facts.

[BABELSBERG], July 25, 1945.

1 For the paragraphs of this aide-mémoire relating to Austria and for the covering letter from Novikov to Dunn, see document No. 790. For Dunn's reply, see document No. 792.
GERMANY

GERMAN FORCES IN NORWAY

No. 1056

740.00119 EW/7-2545

The Secretary of the Soviet Delegation (Novikov) to the Assistant Secretary of State (Dunn)

[Translation]

BERLIN, July 25, 1945.

Dear Mr. Dunn: Under instructions of Peoples’ Commissar of Foreign Affairs, V. M. Molotov, I enclose herewith an aide-mémoire on the question of the non-application of the unconditional surrender regime toward German troops in Norway.

I would appreciate it if you would acknowledge receipt of this letter.

Sincerely yours,

K Novikov

[Enclosure—Translation]

AIDE-MÉMOIRE

The Soviet Government has received information that with relation to German troops on Norwegian territory, the unconditional surrender regime provided for in the military capitulation of Germany, signed in Berlin on May 8, 1945 1 is not being applied in full. It is stated that the German troops located in the region between the cities of Mo and Trondheim, amounting to 260,000 men, and in the region of Tromsö, 140,000 men, are holding on to their arms and military “technique” (this probably means light military equipment). 2 The personnel of these troops have not been interned and they have full freedom of movement. The Soviet Government considers it necessary to draw to the attention of the Government of the United States of America and the British Government this information, since the Supreme Allied Control with respect to the surrendered troops on Norwegian territory is effected by the Allied Command.

[BABELSBERG,] July 25, 1945.

1 Executive Agreement Series No. 502; 59 Stat. (2) 1857.
2 The words in parentheses are apparently a note by the translator.
No. 1057

The Assistant Secretary of State (Dunn) to the Secretary of the Soviet Delegation (Novikov)


DEAR MR. NOVIKOV: I refer to your note of July 25, 1945 ¹ with which you enclosed an aide-mémoire regarding the non-application of the unconditional surrender formula toward German troops in Norway.

Since this is an area of primary British military responsibility I assume that the necessary information will be submitted to you by the British Government.

Sincerely yours,

JAMES CLEMENT DUNN

¹ Document No. 1056.

No. 1058

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


MY DEAR SECRETARY OF STATE[. ] With reference to discussion at the Foreign Secretaries' meeting yesterday afternoon, ² I send you herewith copy of a letter which I have written to Monsieur Molotov, together with a copy of the Soviet aide-mémoire ² to which reference is made in it, on the subject of the disarming of the German troops in Norway.

Yours very sincerely

ERNEST BEVIN

[Enclosure 1]

The British Foreign Secretary (Bevin) to the Soviet Foreign Commissar (Molotov)

BERLIN, 30th July, 1945.

DEAR M. MOLOTOV, At the Plenary Meeting on July 25th last ³ Generalissimo Stalin said that the Soviet Government had received information to the effect that German troops in Norway were not

¹ See ante, p. 496.
² This enclosure is not printed. It is a variant translation of the aide-mémoire presented to the United States Delegation (enclosure to document No. 1056).
³ See ante, p. 386.
being properly disarmed. Mr. Churchill undertook to have enquiries made and to submit a report on the facts.

M. Novikov subsequently communicated to Sir W. Strang an aide-mémoire setting out the information in the hands of the Soviet Government.

I have now received the following report from the competent authorities in London, and I am happy to be able to tell you that the allegations contained in the Soviet aide-mémoire of July 25th are without foundation.

The true situation is as follows:

At the conclusion of hostilities with Germany there were in all 365,000 Germans in Norway. These were all collected into reservations, up to ten miles square in area, in which they were confined to within one kilometre of the camps where they lived and the roads joining such camps. A small number of Germans connected with communications, supply and technical services are “exempt” from confinement in these reservations and work in depots and similar installations.

After collection into the reservations, the Germans in Norway were all disarmed except for the officers and two per cent of the other ranks. These were allowed to retain pistols and rifles respectively, with a very small quantity of ammunition, to maintain order and discipline amongst themselves. There are in all about 7,300 Germans thus allowed to bear arms. No German is allowed to bear arms outside his reservation, depot or similar installation.

The Soviet aide-mémoire of July 25th referred to reports that German troops stationed in the area between the towns of Mo and Trondheim, numbering about 260,000 men and those in the region of Tromsø numbering about 140,000 men were in possession of their arms and war equipment. The true facts are as follows:

In the Mo–Trondheim area there are 49,688 Germans, of whom 1,400 have been allowed to retain arms and 7,500 are “exempt” from confinement in reservations. In the Bodø–Tromsø area, out of a total of 120,000 men, 2,750 are armed and 13,300 exempt from confinement. It will be seen therefore that the reports referred to in the Soviet aide-mémoire are incorrect and devoid of foundation.

I should like to take this opportunity of raising a point connected with the evacuation of the German troops from Norway. 108,000 of the Germans in Norway originated from the Russian Zone of Occupation in Germany. The British military authorities are at present responsible for the disposal of 54,000 of these Germans, the United States military authorities having offered to take responsibility for the remaining 54,000. It would much facilitate the work
of evacuation if the Soviet authorities would accept direct from Norway those 54,000 Germans originating from the Russian Zone in Germany who are now the responsibility of the British military authorities. If the Soviet Government agree in principle to this proposal, I would suggest that arrangements for transporting these Germans direct from Norway to the Russian Zone in Germany might be worked out by the appropriate British[,] Soviet and possibly Swedish authorities.

E. Bevin
GREECE

GOVERNMENT AND ELECTIONS

Editor’s Note.—Papers dealing with the question of Greek elections in a broader context are printed ante, page 643, under the heading: Implementation of the Yalta Declaration on Liberated Europe; Freedom of the Press in Eastern Europe.

No. 1059

888.007-1745: Telegram

The Acting Secretary of State to the Secretary of State

SECRET

US URGENT

[WASHINGTON,] July 17 [1945.]
38. Brit FonOff telegram July 14 suggests draft “invitation to be issued simultaneously to Soviet Govt at Terminal and to French Govt in Paris re joint supervision Greek elections. We are in essential agreement but prefer not use words “invite” or “invitation”. Consider phraseology excellent in notes presented to Greek Govt quoted in telegram no. 22 to SecState July 14. Suggest draft proposal along following lines:

“In view of Allied obligations to Greece and the undertakings at Yalta, the US Govt feels that Allied responsibility to the Greek people makes advisable joint Allied assistance in supervising approaching Greek national elections. It is therefore proposed that the responsibilities in the supervision of the Greek elections be shared by the Brit, the Soviet, the French, and the US Govts. The Greek Govt, which it may be recalled is a signatory to the Varkiza Agreement, Article 9 of which provides for Allied supervision of elections, has expressed its agreement that the approaching national elections be held under the supervision of the four Allies named. The US Govt earnestly hopes that the Soviet Govt (Govt of France) will agree to participate in the joint supervision of Greek national elections.”

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1 See vol. I, document No. 453.
2 Document No. 452, printed in vol. I.
3 Under the terms of the Yalta Declaration on Liberated Europe. For the text of this declaration, see document No. 1417, section v.
Sent to SecState as no. 38 July 17. Repeated to Paris and Athens.
You may wish to concert with Brit at TERMINAL on this question
and instruct Caffery direct regarding timing and phraseology of
approach to French FonOff in collaboration with Brit colleague in
Paris.\footnote{Alfred Duff Cooper.}

\footnote{Grew}

\section*{No. 1060}

\textbf{The Deputy Director of the Office of Near Eastern and African Affairs
(Allen) to the Assistant Secretary of State (Dunn)}

\textbf{MEMORANDUM}

Subject: Greek Elections.

The attached telegram No. 38, July 17, from the Department,\footnote{Document No. 1059.}
makes our proposed telegram \footnote{Not printed.} on Greek elections unnecessary.

The Department agrees with the British suggestion in substance but
objects to the British text of a joint “invitation” to the Russians. The
Department prefers that we and the British propose that the four
powers supervise the elections rather than that the United States and
the United Kingdom “invite” the Russians and French to participate.
I think the Department’s point well taken and believe I can work
out a suitable agreement with the appropriate member of the British
delegation, if you would like me to try.

The Department also apparently wishes to limit the proposal to
supervision of the Greek parliamentary elections and not to include the
subsequent plebiscite regarding the King. The Department doubtless
thinks that only one bridge should be crossed at a time. I agree.

\textbf{G[orge] V \textsc{Allen}}

\textbf{BERLIN CONFERENCE, JULY 18, 1945.}

\section*{No. 1061}

\textbf{The Secretary of State to the Soviet Foreign Commissar (Molotov)}\footnote{Printed from an unsigned carbon copy.}

\textbf{TOP SECRET} \textbf{[BABELSBERG,] JULY 19, 1945.}\footnote{The file copy is so dated, but the original was apparently not sent to Molotov until July 20. See ante, pp. 151-152.}

\textbf{My Dear Mr. Molotov,} The Government of the United States
is of the view that Allied obligations to Greece and the undertakings
at Yalta make joint Allied assistance in supervising the approaching Greek national elections advisable, in keeping with Allied responsibility to the Greek people. It is accordingly proposed that responsibility for supervising the Greek elections be shared by the Governments of Great Britain, the Soviet Union, France and the United States.

The Greek Government has agreed that the elections be held under the supervision of the four Allies named, in accordance with Article 9 of the Varkiza Agreement, which provides for Allied supervision of these elections. The Government of the United States earnestly hopes that the Soviet Government will agree to the joint supervision as proposed.

Very sincerely yours,

[James F. Byrnes]

No. 1062

Department of the Army Files: Telegram

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

TOP SECRET

PRIORITY

Victory 116. For the Ambassador from the Secretary of State.

I have today ¹ addressed a letter to Molotov proposing Soviet participation in supervising Greek elections along the lines of the text proposed in the Department's telegram of July 17,² which was repeated to you. I would appreciate your making a similar proposal to the French Government immediately.

The British Delegation suggests, and I concur, that no publicity whatever be given to this proposal until replies are received from the French and Soviet Governments and the Greek Government can be appropriately informed.


¹ i.e., July 19, the date the message was drafted.
² Document No. 1059.

No. 1063

The Soviet Foreign Commissar (Molotov) to the Secretary of State

[Translation]

Berlin Conference, July 20, 1945.

Dear Mr. Byrnes: In connection with your letter of July 19,¹ containing a proposal regarding the establishment of Allied Control in connection with the national elections in Greece, I wish to state

¹ Document No. 1061.
that on July 20 at the meeting of the three Ministers of Foreign Affairs, I put forward the point of view of the Soviet Government regarding the situation in Greece. Consequently you are now advised of the negative attitude of the Soviet Government toward the practice of control by foreign governments over national elections, and also (you are advised) that the Soviet Government has its proposals in relation to the state of affairs in Greece which, I hope, will be further examined by us.

Sincerely yours,

V. Molotov

No. 1064

740.00115 (Potsdam)/7-2945

Proposal by the Soviet Delegation

[Translation—Extracts ¹]

**The Yalta Declaration “On Liberated Europe”**

**Russian Proposal Presented to Foreign Ministers,**

**July 20, 1945** ²

But there is one country—Greece—in which no due order still exists, where law is not respected, where terrorism rages directed against democratic elements which have borne the principal burden of the fight against German invaders for the liberation of Greece. Moreover, the present Greek Government is breaking the peace with their neighbors and threatening Albania and Bulgaria with military action. All these circumstances create the necessity of taking urgent measures to eliminate such a situation in Greece.

In accordance with the aforesaid the Soviet Government consider necessary:

(2) to recommend to the Regent of Greece ³ to take immediate measures towards the establishment of a democratic government in the spirit of the agreement reached at Varkiza, February 12, 1945, between the representatives of the then existing government of Greece and the representatives of Greek democracy.

The Soviet Government express their assurance that the abovementioned measures will find the support of the Governments of Great Britain and the United States of America and will be carried out.

¹ For the other paragraphs of this proposal, see document No. 804. For another Soviet proposal on this subject, see document No. 1423.
² See ante, p. 150.
³ Damaskinos, Archbishop of Greece.
No. 1065

The Ambassador in France (Caffery) to the United States Delegation

TOP SECRET

PARIS, July 21, 1945—4 p. m.

Bidault accepted at once on behalf of the French Govt the proposal regarding Greek elections as set out in your VICTORY 116 telegram.\(^2\)


\(^1\) Printed from the text received in the Department of State.

\(^2\) Document No. 1062.

Caffery

No. 1066

Memorandum by Prime Minister Churchill\(^1\)

SECRET

P. (Terminal) 25

Greece

Memorandum by Mr. Churchill

In view of the reference to Greece in the Soviet Memorandum,\(^2\) I circulate the following two papers to the Conference. The first\(^*\) is the report of Field Marshal Alexander. The second\(^\dagger\) is the report on the visit of the British Trades Union Delegation to Greece, which was headed by Sir Walter Citrine and composed of leading Trades Unionists. This I believe gives a true picture of the rights and wrongs of the Greek position.

I am puzzled at the reference on paragraph 4, Sub-section 2 of the Soviet Memorandum to “the representatives of Greek democracy”. According to the information I have, the EAM–ELAS elements in Greece in no way represent Greek democracy or the vast majority of Greeks. Their conduct in Athens during their attempt to seize and dominate the city have made a gulf between them and the Greek people which will last for many years. The report of the Trades Union Delegation should be read in this connection.

Winston S. Churchill

Potsdam, 22nd July, 1945.

\(^1\) Printed from the mimeographed text circulated at the Sixth Meeting of the Foreign Ministers, July 23. See ante, p. 287.

\(^2\) Document No. 1064.

\(^*\) Annex I. [Footnote in the original. For the text of annex I, see annex I to document No. 1076.]

\(^\dagger\) Annex II. [Footnote in the original. This annex is not reproduced here. For its text, see What We Saw in Greece: Report of the T. U. C. Delegation (London, Trades Union Congress, 1945).]
CONFIDENTIAL

Moscow, July 24, 1945—4 p. m.

2667. Vice Commissar FonOff Dekanozov addressed letter dated July 13 to British Chargé 2 in reply to British Ambassador’s 3 protest to Molotov (Embassy’s 2472, July 7 4) re Soviet press and radio campaign against Greek Govt and British in Greece (To Dept 2667 repeated London 378 Athens 37).

Dekanozov stated Soviet Govt does not see any grounds for Clark Kerr charges re New Times article as journal not an official organ of Soviet Govt. Furthermore Soviet Govt finds it necessary to call British Govt’s attention to Athens July 8 Fascist meeting where sharply hostile speeches to USSR were made and slogans of “let[`]s get at Sofia, Belgrade, Moscow” etc.] were uttered. Such speeches becoming more frequent and in increasingly inadmissible forms Dekanozov claimed.

He pointed out Soviet Govt regarded such situation wholly incorrect in country where there are troops of USSR’s British Ally.

KENNAN

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1 The gist of this message was included in telegram No. 126 of July 25 from Grew to Byrnes (file No. 800.00 Summaries/7-2545).
2 Frank Roberts.
3 Sir Archibald Clark Kerr.
4 Document No. 446, printed in vol. 1.

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CONFIDENTIAL

ATHENS, July 24, 1945—8 p. m.

746. Greek FonMin 2 returned Sunday July 22 and resigned next day, yesterday. According to PriMin, 3 whom I saw last evening, Sophianopoulos said he is convinced after talking with Molotov that only hope of achieving desired relations Russia would be set up here political govt representative of all parties (this coincides new demands communist-controlled EAM, see my despatch 1336, July 16 4).

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1 The gist of this message was included in telegram No. 126 of July 25 from Grew to Byrnes (file No. 800.00 Summaries/7-2545).
2 Ioannis Sophianopoulos.
3 Admiral Pétrou Vouliarès.
4 Not printed.
He suggested a cabinet apportioned in thirds to left, center, right, respectively. PriMin replied unconvinced such govt would prove viable existing circumstances. Pointed out already tried unsuccessfully by Papandreou. Added repeated conferences so far indicate party leaders unable get together. Subsequently, British Chargé⁶ told me after consulting Regent that latter stated question change of govt “does not arise”.

This morning Sofianopoulos issued statement press and called on me confirming attitude as above. Appeared very cocky and on my remarking that one of royalist leaders had just told me a political govt is “impossible”, replied “that depends on who would be its chief”, apparently meaning himself. Has little numerical following at present but would constitute a useful acquisition to such a group as EAM, hitherto lacking outstanding personalities.

Fact resignation Russian-inspired and coincides with Potsdam discussions and yesterday’s threatening Yugoslav note (my telegram 742, July 23⁵) suggests possibility Russia intending base refusal join supervise elections on alleged inability nonrepresentative govt control “chaotic” situation and prepare tests fairly.

MACVEAGH

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⁵ Harold Caccia.
⁶ See document No. 1077, footnote 4.

No. 1069

740.0019 Potsdam/7–2545

The Deputy Director of the Office of Near Eastern and African Affairs (Allen) to the Assistant Secretary of State (Dunn)¹

[Extracts ²]


MEMORANDUM FOR MR. DUNN

Subject: Matters relating to the Near Eastern and African Area for inclusion in the Final Protocol

There is outlined below my understanding of the final decisions reached with regard to the five items on the agenda which relate to the Near Eastern and African Area:

As regards Greece the Soviet Delegation declined the invitation of the United States and Great Britain to participate in the forth-

¹ Printed from a carbon copy on which there is an uncertified typed signature.
² For the other sections of this memorandum, see documents Nos. 736, 1332, 1342, 1358, and 1374.

[No. 1069]
coming elections in Greece on the grounds that such supervision would constitute interference in the internal affairs of Greece.\textsuperscript{3}

GEORGE V. ALLEN

\textsuperscript{3} See documents Nos. 1061 and 1063.

\textbf{No. 1070}

868.00/7-3145: Telegram

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

TOP SECRET

PARIS, July 31, 1945—8 p. m.

4640. Re this Embassy’s memo July 21\textsuperscript{1} pertaining to control by Allies to be exercised in Greece during forthcoming elections, memo has been received from Foreign Office dated July 20 [30].\textsuperscript{2}

Confirming my 4395 July 21\textsuperscript{2} this memo informs Embassy that French Government accepts readily to participate in Four Power control of these elections.

French Foreign Office furthermore shares views of American Government re necessity of keeping these consultations secret until answers of four interested Governments are received and Greek Government informed officially.

CAFFERY

\textsuperscript{1} To the French Ministry of Foreign Affairs. Not printed. Cf. documents Nos. 1062 and 1065.

\textsuperscript{2} Not printed.

\textsuperscript{3} Document No. 1065.

\textbf{RELATIONS WITH ALBANIA, BULGARIA, AND YUGOSLAVIA}

\textbf{No. 1071}

868.00/7-1745

The Ambassador in Greece (MacVeagh) to the Secretary of State

SECRET

ATHENS, July 17, 1945.

No. 1331

Subject: Political and Economic Conditions in Northern Greece.

\textit{Sir:} I have the honor to refer to my despatch No. 1213 of June 23, 1945,\textsuperscript{1} and to transmit herewith a survey of politico-economic conditions in Northern Greece prepared by Third Secretary Leonard J. Cromie, together with a copy of a report on the British Army in Greece and its relationship to Greek armed forces prepared by Captain William H. McNeill, Assistant Military Attaché, who accompanied Mr. Cromie on his recent tour (June 12–24) of Macedonia and Western Thrace. These reports may perhaps be usefully read in conjunction with my despatch No. 1282 of July 4 on \textit{Developments}

\textsuperscript{1} Document No. 454, printed in vol. 1.
in the North of Greece: Frontier Incidents and Anglo-Russian Relations

and my telegrams No. 695 of July 10 and No. 708 of July 14, referring to Marshal Tito's speech of July 8.

Mr. Cromie's report, based on first-hand observation and numerous, on-the-spot conversations with representative persons of all factions and classes as well as other reliable intelligence data available to the Embassy, fails to support in any substantial degree the allegations of Marshal Tito and the Moscow and Balkan Soviet press regarding anarchy and wholesale terror in Northern Greece. The overall picture of conditions in that area resembles that of the rest of the country, with the possible difference, characteristic of the "New Greece" acquired after the Balkan and first World Wars, of more pronounced republicanism in the cities and a more kaleidoscopic pattern of political sentiment in the countryside owing to the presence of some minority groups and of large numbers of Greek refugees from Asia Minor.

Figures cited by Mr. Cromie on the prison population of various small towns in Northern Greece and the high ratio of arrests to convictions do bear witness to the deficiencies of present Greek regional administrative and judicial procedure and the disregard of local officials of royalist persuasion for the civil liberties of leftists and Slavophones. Certain of the latter who have identified themselves with the "Free Macedonian" movement or who have relatives among the ELASites now in Yugoslavia have doubtless found it expedient, as Marshal Tito stated, to seek a more congenial political clime across the border. A New York Times Correspondent, Mr. Sam Brewer, told me today that he interviewed last week in Monastir a score of such persons who had recently come from Greece. They gave such reasons for their move as "because we were suspected of being Tito's spies" or "because we love Stalin". Brewer was told by Yugoslav authorities, who invited him to inspect frontier registers, that about 1,000 refugees of this type have already crossed the border at the Monastir Gap and 3,000 in the Lake Dojran region. Granted the existence of some injustice, the bitter legacy of Slavophone collaborationism during the war and of post-liberation civil strife, it must also be borne in mind, as pointed out in the attached reports, that a determined effort is being made by the British to restore order and safeguard civil liberties with the sincere support of many enlightened Greek officials acting in accordance with the directives of their well-intentioned if still weak central Government.

An objective understanding of the true situation in Northern Greece

\[\text{Document No. 458, printed in vol. 1.}\]
\[\text{Document No. 461, printed in vol. 1.}\]
\[\text{Document No. 463, printed in vol. 1.}\]
is essential if the threat to this strategic and rich territory implied in the current war of nerves directed against Greece is to be averted. Captain McNeill’s report shows that local British and Greek forces could scarcely block a Soviet-sponsored military promenade to the Aegean disguised as a “Free Macedonian” uprising. Firm diplomacy, therefore, backed by informed public opinion in the Western Democracies, will be needed to make it clear that, while the legitimate desire of the Yugoslavs and Bulgarians for port and transit facilities may be satisfied, the perpetration of a major crime against a loyal member of the United Nations on the pretext of correcting transient and relatively insignificant abuses cannot be tolerated.

Respectfully yours,

LINCOLN MACVEAGH

[Enclosure 1—Extracts]

SECRET

[Undated.]

NORTHERN GREECE

A REGIONAL SURVEY OF PRESENT CONDITIONS

SUMMARY

The spotlight of world attention is once again swinging back to Macedonia and Western Thrace, granary of Greece and outpost of British influence in the Balkans, in which the struggle for rehabilitation is being carried on in an atmosphere dangerously troubled by ideologic and ethnic conflict and the clash of rival territorial ambitions, the Greek claim to a more strategic northern boundary and the quest of the Slavs and Bulgars for footholds on the Aegean.

UNRRA food shipments and the indestructible fertility of the soil have laid the specter of actual starvation in Northern Greece despite a fifty percent failure of this year’s grain crop. But a serious lack of transport is impeding the distribution of foodstuffs and the launching of the rehabilitation program that is needed to dissipate internal discontent which breeds disorder and on which international rivalries batten.

Internal conflicts in Northern Greece find their origin not only in economic distress but also in the different backgrounds of the various Greek and non-Hellenic population groups. Rightist leanings prevail among native Greeks in both rural and urban districts, while Greek refugees from the Turkish cities and Transcaucasia and the Slavo-Macedonian minority have mainly gravitated toward the left. The result is a kaleidoscopic pattern of political sentiment throughout the area.
Political passions and ethnic differences, exacerbated by the war and civil strife, inevitably breed a certain amount of injustice and violence. Scant respect is shown for the civil liberties of leftists, and members of the Slavophone minority, as a consequence of their alleged pro-Bulgarian attitude, are deprived of cultural rights and subjected to petty persecution by their Greek neighbors and local police authorities. The British, with one division and some armored units in the area, stand as arbiters in the midst of turmoil under a group of able and impartial officers, but their task is complicated by the disorganized state of Greek judicial and administrative machinery and the complacency of royalist officials.

It should not be assumed, however, that a state of anarchy exists in Northern Greece, where the average citizen, thanks to the presence of the British and the moderate policy of the Athens Government, probably enjoys a greater measure of personal security and freedom than in any other country of the Balkans. Tito’s flight of “thousands and thousands of refugees from the terror of Greek reactionaries” is largely a flight of fancy.

Difficulties which do exist would solve themselves in the absence of outside pressure. In particular, it is most likely that the few Slavic remnants left in Northern Greece would become painlessly Hellenized within one or two generations were it not for the possibility of the Soviet Balkan bloc’s using the “Free Macedonia” movement as a key to conquest. In this connection, the exact import of the present war of nerves and of the armies now poised at the strategic gateways to Greece, to which no effective, immediate resistance could be offered, warrants most careful consideration by the Western Powers. For loss of her Northern Provinces would not only be a mortal blow to Greece and a shocking violation of the principles of the United Nations, but an event of major geopolitical importance in the Mediterranean.

I—INTRODUCTION

Northern Greece is the breadbasket and the powder keg of the Hellenic Nation. Before the war, the Provinces of Macedonia and Western Thrace, with about one quarter of the population of Greece, accounted for forty to fifty percent of Greek agricultural production. In Greece’s present straitened circumstances, the economic resources of the area should be invaluable. They would also be useful to covetous neighbors. The traditional political importance of the region, deriving from its wealth, its strategic location and the mottled ethnic composition of its population, is enhanced today by its position on a key frontier between the zones of Russian and British influence in Europe, a frontier which the Greeks would like to push.

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5 See vol. 1, document No. 461, footnote 2.
northward and which the Soviet Balkan bloc, according to many indications, would like to push into the sea.

The picture of Northern Greece today is a study in contrasts. On the one hand, the litter of war: twisted rails and hundreds upon hundreds of wrecked cars and locomotives in the railroad yards of Salonika; the Port of Salonika a shambles of sunken ships and broken cranes; the burned village of Lekhovon, one among many, stark but still picturesque on the mountainside; destroyed bridges and railroad spans, testimonials to the ruthless efficiency of German sappers. On the other hand, scenes of normality and peace: the Germans spread destruction no farther east than the Strymon River. Beyond, the Bulgars were careful to leave undamaged "their" Provinces of Eastern Macedonia and Western Thrace to which they hope to return. Bridges are intact, highways have actually been improved, reforestation projects dot the southern slopes of the Rhodope Mountains, and the housing problem is relieved in some areas by hundreds of neat, concrete village bungalows erected for Bulgarian settlers. The railroads from Serres to Alexandroupolis and from the latter Port to Adrianople are running, although on a reduced schedule owing to lack of rolling stock. In the whole of Northern Greece, the peasants are busy at their usual seasonal pursuits, but their attitude is by no means uniform. Whereas broad smiles and the brave thumbs-up gesture universally greet the jeep traveller in the Greek villages and districts, the Slavophone peasants, particularly in the northwest frontier regions, are morose and sullen. In Salonika and the large towns, life appears quite normal on the surface with no suggestion of a "reign of terror", but the building next to the Prefecture in Florina has been converted into a detention barracks and the barred windows are crowded with political prisoners.

Such are the highlights of the general picture of Northern Greece in June 1945. Because the spotlight of world attention may shortly be focused on this area, it may be of interest to fill in some of the details.

III—THE POLITICAL IMBROGLIO

Rival Territorial Ambitions

The economic and political problems of the 1,700,000 inhabitants of Northern Greece would be of scant interest to the outside world were it not for international factors which not only complicate the solution of local problems but threaten to compromise the political future of the region as an integral part of Greece and consequently the present balance of power in the Mediterranean and around the
Dardanelles. These factors have already been mentioned and are well known: on the one hand, agitation in Greece for territorial expansion northward; on the other hand, the old Russian drive for a window on the Aegean, currently masquerading as a “Free Macedonia Movement”.

With regard to Greek expansionism, it need only be said that the naturally receptive state of mind of the public is being exploited and stimulated to the utmost by public leaders and editors as a tactic of internal politics. In this, the situation resembles the pattern of the whole country. The particular claim to Turkish Thrace recently featured by the Communists arouses little interest. The usual response to questions on this matter was: “It would be very nice, of course, to have Eastern Thrace, but we do not want to complicate our relations with Turkey.”* In view of the present unequal balance of forces in southeastern Europe, Greek expansionism is of immediate interest only insofar as it might conceivably provide a pretext for “precautionary” troop concentrations on the opposite side of the frontier or even for positive “preventive action” by Greece’s neighbors backed by the Soviet Union.

Minorities—Turks, Kutzo-Vlachs and Armenians

It is much more likely, however, that minority grievances would be invoked as justification for Soviet intervention in Northern Greece, and it will therefore be of interest to follow closely the post-war development of Greek policy towards the minorities, the attitudes and problems of the different minorities, and their susceptibility to foreign propaganda and influence.

Of the four principal minorities in Northern Greece, Turks, Kutzo-Vlachs, Armenians and Slavo-Macedonians, now as before the war, the most contented and best treated are certainly the Turks. The Greeks generally credit the Turks in Eastern Macedonia and Thrace with having observed a correctly non-cooperative attitude towards the Bulgarian forces of occupation and have accordingly permitted them to reopen their schools, practise their religion, and enjoy a large measure of cultural freedom. Their lot is not quite perfect, according to the Turkish Consul at Komotini. Like minorities everywhere, they suffer some persecution from neighbors of the dominant ethnic group, and local officials are not over-zealous in protecting their rights and interests. It is this situation, the Consul said, which led to the emigration of considerable numbers of Turks from Western to

* When asked whether the Turks were alarmed by this claim, Mr. Muzaffer Gordoysus, Turkish Consul at Komotini with jurisdiction over the border area, smiled and shrugged his shoulders: “Not at all,” he said, “I have pointed out to my Greek friends that their Army would not get beyond our customs posts much less our frontier defenses.” [Footnote in the original.]
Eastern Thrace earlier this year (despatch No. 965 of May 1, 1945, page 17). Some difficulty, too, was caused by recent action of the Greek authorities in ordering the summary expulsion of some 2,000 Pommacks (Bulgarian subjects of Turkish descent) from Western Thrace. Upon the refusal of the Bulgars and Turks to permit these people to cross the border, the British intervened to have the order suspended and there the matter now rests. Apart from these observations, the Consul formulated no general grievances against Greek Government policy.

The Kutzo-Vlachs are a lesser minority, partially Hellenized, mostly scattered in small villages in Western Macedonia. Moreover, the Rumanian motherland is conveniently remote. Though occasionally troublesome, this minority does not appear to arouse serious Greek animosity or apprehensions. The Inspector General of Rumanian Schools at Salonika (an official of the former Rumanian Government whose present status is dubious) stated that some of the Rumanian elementary schools have already been reopened. The secondary schools have not.†

As for the Armenians, their trading instinct apparently got the better of their neo-Hellenism during the Bulgarian occupation, with the result that they find themselves in a very difficult situation today. Andreas Kondoianopoulos, Prefect of the Nome of Rhodope, spoke very bitterly of their collaborationist activities during the war, and a family of five Armenians was brutally murdered at Xánthi in early June for their alleged pro-Bulgar attitude.

The Slavo-Macedonians

Most troublesome and largest minority in Northern Greece are, of course, the Slavo-Macedonians. It was they, for example, who undoubtedly inspired the Yugoslav Minister of State's ominous reference in Politika (Belgrade) of June 21 to "current outrages in Aegean Macedonia", which "is Yugoslav just like all the other Yugoslav federal units".‡ According to this same statement, the minority numbers 260,000 persons, which would be about fifteen percent of the total population of Northern Greece. Greek sources usually give a total of 80,000 Macedonians, 70,000 in Western Macedonia and 10,000 in Western Thrace. They also tend to play down the distinct ethnic character of the minority, pointing out that virtually all the Slavophones know how to speak Greek and asserting that fifty percent are Greek in sentiment anyhow.

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† Despatch No. 1152 of June 6, 1945: "["The Kutzo-Vlachs as a Disturbing Factor in Balkan Affairs"]. [Footnote in the original; despatch not printed.]

‡ Mane Ćukanov.

‡ Shantz’s press telegram No. 6 of June 21, 1945. [Footnote in the original; telegram not printed.]
The present situation of the Slavophones is the outgrowth of Greek policy towards them in the past and their own behavior during the recent years of Bulgarian and German occupation. It may be recalled that Venizelos attempted to woo with kindness and preferential treatment the Slav remnants left in Greece after the population exchange of 1924. Metaxas abruptly reversed this policy and even forbade the use of the Macedonian language. As a consequence, the Slavophones generally welcomed the Germans and Bulgars as liberators and collaborated with them whole-heartedly. In return, Slavic villages were usually untouched by the conquerors while many Greek villages were razed, and the Slavic peasants were allowed to enrich themselves at the expense of their unhappy Greek neighbors. Later, with the changing tide of war, Macedonian autonomist leaders such as Gotsi§ began to see the wisdom of collaborating with EAM/ELAS with a view to the realization of their objectives through the medium of Soviet federalism. Their cooperation was welcomed at first by the Greek Andartes, but the Macedonian guerilla chiefs soon demonstrated by their attitude and indiscipline that they were more interested in promoting Macedonian autonomy than in fighting against the Germans or for a socialist Greece.

The opportunism of the Slavophones and their autonomist activities have embarrassed their traditional friends, the Greek left, and aroused the active animosity of Greek nationalists. EAM leaders, whatever their Marxist convictions regarding the insignificance of national frontiers, are good enough political realists to be unwilling to offend the patriotic sentiments of the Greek electorate, including rank-and-file leftists, in order to win the support of a minority or even to please the comrades abroad. Accordingly, present EAM policy would allow the Slavophones their own schools and church services in Macedonian, but would insist that higher studies be pursued in Greek at Greek universities. On the other hand, a typical Greek nationalist such as the Bishop of Florina * favors the Metaxist policy of forbidding entirely the use of the Macedonian tongue.

In this, as in connection with policy towards Greek leftists, the Greek Government authorities seem to be following a middle-of-the-road course and sinning more by omission than by commission. There is no positive reign of terror directed against the Slavophones as such, and they are secure in their lives and in the essential right of land tenure. Those who have fled to Yugoslavia have apparently done so because they feared arrest as political leftists or autonomist agitators. A promise of improved conditions may be seen in the visit to Florina

§ The history of the Gotsi movement is discussed in detail in . . . [a report from Athens dated] May 7, 1945. [Footnote in the original; report not printed.]

* Vassilios.
on June 27 and 28 of Governor General Merenditis of Northern Greece, whose fair attitude has already been demonstrated by his refusal to permit discrimination in the distribution of UNRRA foodstuffs as between Greek and Slavophone villages.\[1] According to an OSS source,\[2] Governor General Merenditis hopes to reenforce security by bringing a National Guard battalion to Florina for border patrol duties and 1,200 Gendarmes to Florina, Kastoria and Kozálni. He has, moreover, ordered that arbitrary arrests must cease, that all cases involving charges of autonomist activities must be cleared up within two months, and that the Slavo-Macedonians are to be assured their full rights as Greek citizens including the right to speak their own language.

The future of the Slavophones of Northern Greece will be determined by the further evolution of relations between the Balkan Soviet bloc and Greece and the Soviet Union and the Western Powers. Left to themselves, they would, in all probability, become painlessly Hellenized within one or two generations—a normal solution for the problem of a minority which is too small and too scattered geographically to warrant indefinite, special protection and perpetuation as a distinct ethnic unit.

Attitude of the Balkan Soviet Bloc

It appears, unfortunately, that the Slavophone minority is too convenient a peg on which to hang Balkan-Soviet territorial ambitions to be allowed to die a natural and peaceful death, for a mounting weight of evidence indicates that this bloc intends to make such capital as it can out of the Macedonian imbroglio.

Acquisition of all or a substantial part of Northern Greece would give the Russians one outlet on the Aegean and result in the strategic investment of the coveted Dardanelles. Moreover, this oblique movement would appear to have the advantage over a frontal attack on Turkey in that it could be carried out by non-Russian forces against a relatively undefended territory under the guise of assisting a “spontaneous uprising of oppressed peoples”. British commanding officers in Northern Greece are inclined to discount, on political grounds, the likelihood of an immediate attack from the north, but they are fully alive to the strategic implications of the potentially hostile forces now massed near each of the gateways to Greece, the Monastir Gap, the Strymon Valley, and the Roupel Pass. Defense of the area in the event of attack being out of the question in view of the relative weakness of the British (one division and units of an armored brigade), these are now engaged in maneuvers and a study of troop dispositions

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[1] A policy favored by Major General Boucher on the grounds of the collaborationist activities of the Slavophones and their lesser need. [Footnote in the original.]

[2] [A footnote which appears in the original at this point is not printed.]
for a covering action to permit orderly withdrawal from Salonika in a few days' time.

British diplomacy is presumably equally aware of the possible implications behind the present war of nerves directed against Greece, but it can scarcely afford to adopt a similar policy of retreat. Appeasement on the issue of Northern Greece would involve the surrender of an important bastion of security in the Mediterranean, the betrayal of a loyal ally and the overwhelmingly Greek population of the affected area, and abandonment of the principles embodied in the Charter of the United Nations, tantamount to hoisting the white flag over that newly-erected citadel of peace.

[Enclosure 2]
[Undated.]

SECRET
No. R 121-45

Revised British Plans:

1. Contingent upon what the Government's policy will be following the elections in Great Britain, it has been recently decided to keep the two British divisions which now garrison Greece in the Country through the coming winter. At the same time, top priority for supply to the Greek Forces has been assigned to the Gendarmerie, in the hope that the gendarmes will be sufficiently well organized and able (1) to enforce law and order in Greece during the coming year; and (2) to supervise the elections and/or the plebiscite which the British hope to see held in November. (The elections are for members to the Chamber of Deputies; the plebiscite will decide upon the return of the King, or the formation of a Republic.) To achieve this, the National Guard battalions have been seriously weakened by the withdrawal of volunteers for the Gendarmerie; and the effort to rebuild the Greek Army has come to a standstill after the formation of a single division.

Background:

2. The British troops which were originally despatched to Greece included a small force designed to harass the retreating Germans, and a larger number of service troops who were expected to administer the civilian relief program. After ELAS attempted to carry through a revolution in December 1944, three additional British divisions were sent to Greece. This force succeeded in driving ELAS from Athens, and later superintended the disarmament and disbandment of ELAS, and then occupied all the principal centers of Greece.

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One division was withdrawn in April, leaving the present garrison behind.

3. During March and April 1945, the British planned to create a Greek National Army of three divisions by November; and, as soon as these divisions were ready, to withdraw the British force. Meanwhile, as a stop gap, National Guard battalions were organized to perform police work in the areas taken over from the control of ELAS. In fact, however, supplies have not been delivered in sufficient quantity to equip three Greek divisions; and the National Guard has made a rather bad name for itself by sporadic illegality and violence directed against persons known or suspected of being Leftists. It is in view of these conditions that British authorities in London have tentatively decided to retain British troops in Greece over the winter, and to endeavor to establish a Gendarmerie that may perform its police duties more impartially and with less violence than does the National Guard.

Role of British Troops in Greece:

4. It is a general policy of the British army to leave as much of the policing of Greece to Greeks as is possible. In Southern Greece, where there are relatively few supporters of EAM/ELAS, British troops are concentrated in battalion or larger units, and very seldom intervene either to support or to restrain the Greek authorities. In Central and Northern Greece, however, where a large percentage of popular sentiment is antagonistic to the present government of Greece and opposes the Gendarmerie and National Guard, British troops are dispersed in company and platoon detachments; and normally, whenever something unusual is in the wind, mixed Greek and British patrols are organized to investigate. In general, British efforts are directed more toward restraining the illegal and violent methods favored by some members of the National Guard, than toward supporting the National Guard against bandits or other opponents.

5. When winter comes, with its attendant difficulties of transportation (the roads of Western Macedonia are snowbound for about three months), British troops will perform be concentrated in the principal communications centers of Northern Greece, and policing of the smaller towns and villages will be left exclusively in the hands of Greek forces. General Boucher plans to station his troops in battalion camps for the winter, located in the following towns: Komotini, Kavalla, Drama; Serres, Salonika, Kilkis; Verroia, Edessa, Kozani. It is not even sure whether the road to Kozani can be kept open through the winter, since snow plow equipment will be necessary, and is not yet on hand.
Future of the National Guard:

6. As soon as the Gendarmerie is up to strength, and no longer needs National Guard assistance to police the country, the British expect to convert the National Guard battalions into a Frontier Force, totalling 9–12 battalions. Surplus personnel will be transferred to the regular army, or else demobilized. According to present hopes and plans, the transfer of all police responsibility from the National Guard will be completed before November.

7. For the present, the National Guard is being starved of equipment and milked of men for the benefit of the Gendarmerie. Plans for raising new National Guard battalions have been dropped, with the result that some districts of Greece are policed by locally recruited National Guardsmen, while others are under the “Athens battalions” which were originally raised during December to fight against ELAS in Athens and Piraeus. The nominal strength of a National Guard battalion is 530, all ranks; but actually many battalions in Northern Greece can muster no more than 200 men at the present time, owing largely to transfers to the Gendarmerie.

The Gendarmerie:

8. The Gendarmerie is expected to control Greece with half the number of men used by the National Guard (30,000 as against 60,000). It is a volunteer, career service; and at the present time, its ranks are being recruited largely from among former Gendarmes and present day National Guardsmen. British officers believe that the Gendarmerie will establish a better reputation for itself than has the National Guard; that it will meet with less hostility among the population; and that, consequently, it will be able to establish smaller detachments, and man smaller, more numerous posts. The British apparently rely on an election to clear the political air in Greece, hoping that it will stabilize the government, and thus facilitate the task of the Gendarmerie.

9. Up to the present, only a more or less skeleton Gendarme organization has been established throughout Greece. Actual day to day policing has been taken over by the Gendarmes in all the principal provincial towns, and in a few of the villages small detachments have been set up. As more men come from Athens, more and more of these village detachments will be sent to their stations, until there will be one Gendarme post for every three or four villages in Greece.

The National Army:

10. Since it has been decided to keep British troops in Greece for an additional six months or more, the urgency of the need for a Greek National Army has lessened; and, due to an acute shortage of almost
every sort of military equipment, plans for the establishment of two more divisions (in Salonika and Thessaly) have been indefinitely postponed.

Comment:

11. This revision of British plans is made inevitable by their failure to deliver supplies sufficient to equip the proposed Greek army. It is made advisable by the fact that it is quite improbable that any Greek force would be able to maintain peace and order inside the country were it not supported (and restrained) by foreign troops; and a turbulent Greece might easily inflame world relations by entangling Russian with British interests.

12. At the same time, it appears doubtful whether the Gendarmerie will prove much less partisan than the National Guard in its administration of the law. Its members are all recruited from the Right; and many of them have served as Gendarmes under both Metaxas and the Germans. Furthermore, given the volatile Greek temperament, it is a question whether an early election will not rather exacerbate than calm political passions in this country.

Approved and forwarded:

Sterling L. Larrabee,
Lt. Colonel, G. S. C.,
Military Attaché.

William H. McNeill,
Captain, C. A. C.,
Asst. Military Attaché.

No. 1072

868.00/7-1945: Telegram

The Ambassador in Greece (MacVeagh) to the Acting Secretary of State ¹

SECRET

ATHENS, July 19, 1945—8 p. m.

URGENT

730. There is obviously no comparison between situation Greece and Soviet “puppet regimes” (Department’s circular telegram June 18 ²) and Moscow picture of Greece as country in throes anarchy and the monarchy-Fascist “terror” whose insatiable territorial ambitions menace “peaceful” neighbors is fantastic distortion. Following observations and recent figures this connection possibly of interest:

(1). Despite admitted excesses by misguided Rightist groups and officials, which Government only gradually getting under control

¹ The gist of this message was included in telegram No. 90 of July 21 from Grew to Byrnes (file No. 800.00 Summaries/7–2145).
² Not printed.
after last winter's Leftist uprising, average citizen Greece enjoys far greater personal security, liberty than anywhere else Balkans. Leaders, including Communists, of bloody December uprising are at liberty and politically active and vocal. Press, all opinions including Communist, may be purchased any newstand Athens. Answering EAM charges, Government states present prison population out of over seven million is 17,351. Of these 13,000 are held for common law crimes committed under EAM auspices and not amnestyed Varkiza agreements; 2,000 are pro-German collaborators; rest are common criminals.

(2). Granted Greek claims untimely and sometimes exaggerated for purposes internal politics, Greece is in no position use force and has furthermore denied categorically aggressive intentions impossible to carry out. Greek forces northern border Adriatic to Maritsa total only 7,000 National Guardsmen. Entire National Guard only 40,000. Greek regular army consists one newly raised, unequipped division Athens area. (British have one armored brigade and two understrength divisions in Greece, one in north. According best reports Athens, these forces face 30,000 Albanians; 30,000 Yugoslavs and 24,000 Bulgars on Greek border plus quarter million Russians Bulgaria. On June 23 Greek Undersecretary Zakynthinos characterized KKE allegation Greek Government intended use force occupy north Epirus as “gross anti-national faction [fiction?], neither the Government nor the Army has considered disturbing Balkan peace by a coup”. Same spokesman said July 7: “Greece will not on account and under no circumstances have recourse to force”.

MacVeagh

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No. 1073

740.00119 (Potsdam)/7-2045

Proposal by the Soviet Delegation

[Translation—Extract 1]

THE YALTA DECLARATION "ON LIBERATED EUROPE"

RUSSIAN PROPOSAL PRESENTED TO FOREIGN MINISTERS,
JULY 20, 1945 2

Moreover, the present Greek Government is breaking the peace with their neighbors and threatening Albania and Bulgaria with military action. All those circumstances create the necessity of taking urgent measures to eliminate such a situation in Greece.

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1 For the other portions of this proposal, see documents Nos. 804 and 1064.
2 See ante, p. 150.

[No. 1073]
The Ambassador in Italy (Kirk) to the Acting Secretary of State

SECRET

Caserta, July 20, 1945—1 p. m.

3002. General Oxley, head of British Delegation ACC, Bulgar[a,] reports that when he saw General Biryusov yesterday he asked him whether there was any basis for rumor that Russia[n] Army of Occupation in Bulgaria had been increased. General Oxley said that he himself had seen troops passing through Sofia and had also seen them moving through the country on his tour. (See our 2821, June 30.2) Oxley said he preferred to ask Biryusov direct rather than give credence to rumors often exaggerated through malice. Therefore he asked Biryusov whether he would like to answer two definite questions: (1) Had Russian Army been increased and (2) if so, what was significance? He answered that Russian armies in southeast Europe were being regrouped due to withdrawal northeast from southern part of area made move through Bulgaria necessary. Biryusov then paused and Oxley asked whether they were going through Bulgaria to Russia. Biryusov paused again and then made reply which Oxley said astonished him somewhat. Biryusov said there were other countries beyond Bulgaria and that he did not know plans of General Staff in this connection. Biryusov then started questioning Oxley and said he understood British garrison in Greece had been increased largely. He added that Greek press was putting out highly inflammatory statements of which one was to effect that they proposed to march through Bulgaria to Moscow. He said he thought they could be thought of as a flea on an elephant's back who feels that much stronger. Oxley observed that it was gratifying that British rate as an elephant. Oxley tried to allay his fears by pointing out that there had been no increase of British troops in Greece and Biryusov said he accepted that statement. Oxley then explained that Greeks were similar to Europeans and other Mediterranean races. As an excitable[e] people sufferings they had undergone had only intensified that trait and that undue attention should not be given to irresponsible faction of press. Oxley assured Biryusov that if anything were worrying him at any time he had only to ask and Oxley would make every effort to give reliable information.

Kirk

1 The gist of this message was included in telegram No. 106 of July 23 from Grew to Byrnes (file No. 800.00 Summaries/7–2345).

2 Not printed.
The Chief of Mission in Albania (Jacobs) to the Acting Secretary of State

TIRANA, July 21, 1945—4 p. m.

TOP SECRET

91. There was secret meeting of military command here last night to consider Greek situation. Understand that authorities fear Greeks with tacit approval of present high British military authorities? in Greece will provoke border incidents and then ask British troops to occupy southern Albania to preserve "order and status quo". From remarks of British military officers here I believe some British military authorities at least desire opportunity for British troops to occupy southern Albania and group here seems unduly anxious that something will happen to prevent recognition provisional or otherwise, or [of?] present regime. Brig Hodgson and Col Palmer have left for southern Albania.

Authorities here report that on July 9 band of armed Greeks crossed frontier near Konispol on coast south of Sarande and attempted to place two boundary pyramids on Albanian soil. Shots were fired and band retreated.

Sent Dept as 91: reptd Caserta as 108; repeated Athens.

On July 12 and 13 Greek soldiers attempted same thing at Bilisht east of Korçë and were driven away by gunfire. See first item enclosure my despatch 50, July 12 2 for fifteen other alleged incidents extending back to April.

Yugoslavs now sending to Albania quantities of ammunition and some artillery which according to our sources being concentrated at Korçë and Gjinokastër where Albanian troops have gone.

While I cannot say positively which side is stirring up these border incidents it seems certain now that they are taking place and my opinion is colored by Albanian point of view because it was the Greeks who started propaganda campaign on frontier problems and persecution.

Jacobs

1 Words in brackets supplied to fill an apparent omission in the original.
2 Not printed.
Memorandum by Prime Minister Churchill

[Extract]

SECRET
P. (Terminal) 25

GREECE

MEMORANDUM BY MR. CHURCHILL

In view of the reference to Greece in the Soviet Memorandum, I circulate the following two papers to the Conference. The first is the report of Field Marshal Alexander. . . .


Potsdam, 22nd July, 1945.

[Annex I]

REPORT BY FIELD MARSHAL ALEXANDER

With reference to the Soviet Memorandum on Greece, the following points are submitted for the Prime Minister:

1. The general feeling of the great mass of the Greek people is one of relief from terror, due to the presence of British troops.

2. We have in Greece a Headquarters under General Scobie, and two British Empire Divisions, i.e., the 4th British and 4th Indian, spread throughout the country for the purpose of keeping law and order, and, as is well-known, British troops do their duty.

3. UNRRA is now functioning in Greece, which they were unable to do during the ELAS-EAM terror.

4. As regards the alleged Greek threat to Albania and Bulgaria, I must point out that the Greeks have so far only one Division, and this Division does not finish its training until October: while the 2nd and 3rd Divisions are only in cadre form and have not yet been formed. They will be ready in March, 1946. The National Guard are in process of being disbanded, and are gradually being replaced by a gendarmerie. Against this, the Yugoslavs have 52 Divisions, of which some 8 are in the area of Skoplje and the Greek frontier. The Bulgarians have an Army of some 18 Divisions, and the Albanians have 7 Divisions, of which 2 appear to be in Yugoslav Macedonia in close proximity to the Greek frontier. With regard to the relative forces facing each other, any suggestion of a Greek threat is unfounded.

1 Printed from the mimeographed text circulated at the Sixth Meeting of the Foreign Ministers, July 23. See ante, p. 287.
2 For the full text of this memorandum, see document No. 1066.
3 See document No. 1073.

*Annex I. [Footnote in the original.]
5. The situation however is aggravated by a strong propaganda campaign by Press and radio emanating from Yugoslavia, Albania and Bulgaria.

H. R. Alexander,
F. M.


No. 1077

760h.68/7-2445: Telegram

The Acting Secretary of State to the Secretary of State

SECRET

[WASHINGTON,] July 24 [1945.]

117. The Embassy at Belgrade has received notes from the Yugoslav Foreign Office dated July 18 and 19\(^1\) in substance as follows:

Yugoslav Government deems it necessary to advise the United States Government of numerous violations by the Greek Government of principles of international law laid down in the Atlantic Charter,\(^2\) the Declaration of [by] United Nations\(^3\) and in the Charter of the United Nations to the detriment of Yugoslav co-national inhabitants of Aegean Macedonia (the Greek portion of Macedonia). These violations consist in the Greek Government not only failing to stop terrorism by unofficial organized gangs of Fascists, but also in its supporting such gangs and in persecutions committed by Greek regular forces. Statements of refugees and testimony of 20,000 Macedonian peasants forced to flee from Aegean Macedonia permit no doubt insofar as the Yugoslav Government is concerned that an organized systematic terrorism of Fascist pattern is being carried on in Macedonia against Yugoslav co-nationals for the purpose of compelling them to emigrate from Aegean Macedonia or to exterminate them. In addition to these persecutions and to publicity in the Greek press manifestly directed against Yugoslavia, Greek forces have also committed excesses by firing over Yugoslav southern frontier, which accumulation of developments leads the Yugoslav Government to believe that there are elements in Greece who desire Yugoslav-Greek relations to be other than correct and neighborly. Notes of similar content are being transmitted to the British and Soviet Embassies and instructions have been given to the Yugoslav representative at Athens to draw the attention of Greek Government to “necessity of eliminating this situation which is not in accordance with principles of international law.”

Notes also contain details concerning alleged instances of looting, torture and murder of Macedonians by Greek soldiers and “other terrorists” and list six alleged incidents involving Greek shooting at the frontier.

\(^1\) Neither printed.
\(^2\) Executive Agreement Series No. 236; 55 Stat. (2) 1603.
\(^3\) Executive Agreement Series No. 236; 55 Stat. (2) 1600.
Although the notes do not specifically so state, they give the definite impression that the Yugoslav Government regards as within its province the protection of Greek-Macedonians, that is, Greek citizens of Slavic origin in Macedonia.

From the foregoing and Athens' no. 742 of July 23 repeated to Potsdam quoting the text of a note delivered by the Yugoslav Legation in Athens to the Greek Government, it seems clear that this situation is developing to point where concerted international action is required. Such action might be agreed upon in the course of your present conversations or, if you prefer, the Department could approach the Soviet and British Governments through the Embassies in London and Moscow. You may also wish to consider whether the French Government should be asked to join these representations.

In either case, if you approve, Department proposes to instruct Chargé Belgrade to reply to Yugoslav notes in following sense and to advise Ambassador at Athens to inform Greek Government of substance thereof:

Please inform Foreign Office, with reference to its communications of July 18 and 19, that the United States Government has given most urgent consideration to the views of the Yugoslav Government in regard to the situation described in those communications and welcomes the implication contained in the communication from the Yugoslav Government of July 18 that the matter should be resolved on an amicable basis in accordance with the principles of international law. The United States Government would be prepared to concert with the Governments of the United Kingdom and the USSR to offer its good offices to the Yugoslav and Greek Governments with a view to investigating Yugoslav charges of violations by the Greek Government in Greek-Macedonia of the principles of international law laid down in the Atlantic Charter, the Declaration of United Nations and the Charter of the United Nations and to submitting recommendations for acceptance by the two Governments concerned. The Government of the United States is consequently inquiring of the British and Soviet Governments whether they would be disposed to join with the United States in making an offer in this sense and will communicate further with the Yugoslav Government in the premises in due course.

4 At the request of the Greek Prime Minister, Admiral Petros Voulgaris, MacVeagh, in the telegram cited (file No. 760h.68/7-2345—not printed), had transmitted to the Department of State and directly to the United States Legation at Babelsberg a translation of a note of July 23 from the Yugoslav Legation at Athens to the Greek Ministry of Foreign Affairs, the gist of which is recorded in the second paragraph of document No. 1080. MacVeagh had also reported to Washington and Babelsberg the Greek Prime Minister's comments that the Yugoslav allegations of Greek persecutions in Macedonia were unfounded, that the Macedonians mentioned were "not Yugoslav 'compatriots' but Greek citizens", that the Atlantic Charter was inapplicable to this situation "unless to Greek national rights now threatened", that he felt that the Yugoslav note was intended to lay the basis for an invasion by the "Yugoslav Army or possibly irregular bands", and that he placed his hopes in the Big Three to prevent this.

5 Harold Shantz.
Meanwhile, the United States Government expects that neither the Yugoslav Government nor the Greek Government, which is being similarly informed, will take any unilateral action which might further complicate the situation.

[GREW]

No. 1078

700h.687-2445: Telegram

The Ambassador in Italy (Kirk) to the Acting Secretary of State ¹

[Extract]

SECRET

CASERTA, July 24, 1945—midnight.

3047. When we were in Belgrade on July 18 British Ambassador ² at dinner with Shantz informed us that he had been instructed by ForOff to make strong representations to Yugo Govt with regard to propaganda of Belgrade radio, Yugo press and "inflammatory statements of responsible Yugo statesmen" on questions of Greek Yugo frontier and Venezia Giulia. Stevenson stated he had been instructed to seek an audience with Marshal Tito on Axis [this] subject.

We have just seen two telegrams from British Ambassador Belgrade to FonOff reporting Stevenson's conversations with Tito on this subject. After having heard Stevenson's complaints, Tito replied that insofar as his personal declarations were concerned he felt that he was obliged to keep Yugo people informed as to developments in international position of Yugo. He added that Yugo propaganda in regard to Greek Yugo frontier was in retaliation to inflammatory attacks of Greek radio and press against Yugo. Tito went on to say that insofar as Yugo propaganda campaign re Venezia Giulia was involved British press was largely to blame and cited specifically articles in "Nineteenth Century" [and] "Time and Tide".

British Ambassador stated he could not accept this argument and suggested that it would be most desirable if Yugo Govt should settle any difficulties with Greek Govt by direct negotiation.

Tito agreed to this suggestion and said he was ready to proceed at once with conversations to this end.

British Ambassador's message on this subject concluded with statement that he was not optimistic that Yugo press would change its present line.

¹ A report on the British representations described in this message was included in telegram No. 113 of July 24 from Grew to Byrnes (file No. 800.00 Summaries/7-2445).
² R. C. Skrine Stevenson.
The Ambassador in Greece (MacVeagh) to the Secretary of State

SECRET

No. 1346

Athenes, July 24, 1945.

Subject: Violations of the Greco-Yugoslav Border.

Sir: I have the honor to transmit herewith a copy of a report prepared for the War Department by Captain William H. McNeill, Assistant Military Attaché, concerning recent incidents on the Greco-Yugoslav border, which is of particular interest in relation to the Department’s information telegram No. 693 of July 16, mentioning the likelihood of exploratory raids across this frontier.

The Department will observe that the incidents related are of a more serious character than those reported in my despatch No. 1282 of July 4 both by their nature and since they are apparently directed from a base established in or near Monastir for the express purpose of organizing forays into Greece with the object of stirring up trouble and disseminating Communist propaganda. Already on Greek soil one British soldier has been killed, one wounded, and a third taken prisoner by one of these bands. The Yugoslavs have also adopted an attitude of studied rudeness towards senior British officers desiring to parley about these incidents.

While all reports reaching this Embassy from the Department and other Missions seem to agree that the present Soviet war of nerves is directed more against Turkey than Greece, these violations of the Greek border and the persistent press campaign against Greece would appear to indicate a desire to keep the pot boiling in this area as well. If the Russians decide to risk military action against Turkey, the possibility, discussed in my despatch No. 1331 of July 17, of a preliminary or simultaneous drive by Yugoslav, Bulgarian, and even ELASite puppet forces across the relatively undefended plains of Northern Greece to the Aegean should perhaps not be excluded.

Respectfully yours,

LINCOLN MACVEAGH

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1 Not printed.
2 Document No. 458, printed in vol. 1.
3 Document No. 1071.
GRECE

SECRET
No. R 132-45

[Enclosure] [Undated.]

Greco-Yugoslav Border Incidents:

1. During the first two weeks of July 1945, the Yugoslavs have seemingly tried to foment trouble in Greek Macedonia and along the frontier. Several small bands of armed men have crossed the border into Greece, where they have spread Communist propaganda among the villagers, killed a small number of civilians and one British soldier, and exchanged occasional rifle shots with Greek and British patrols. Furthermore, on 12 July, a Yugoslav frontier guard detachment trespassed onto Greek soil, attacked the Greek frontier post opposite them, and took a National Guardsman prisoner. These events would appear to indicate that Yugoslav policy is in accord with Tito’s unfriendly references to the Greek Government in his speech of 8 July.⁴

2. Approximately thirty separate reports of the presence of armed bands have been received by British HQ in Salonika. Reports are thickest from the mountain areas immediately around Florina, with a secondary center in the mountains north of Edessa. It is certain that these bands are in communication with Yugoslavia, for couriers have been intercepted bringing propaganda leaflets from across the border to them. They are probably operating loosely under the control of a central headquarters in or near Bitolj (Monastir). According to a Yugoslav political commissar in Bitolj, a special “raiding force”, organized into two brigades, each 2,500 strong, has been set up for operations in Greek Macedonia; but British authorities suspect that this story is a plant, and believe that the bands actually operating in the area are far weaker than the Commissar said, totalling perhaps not more than 500 men. Sweeping operations in the mountains by both British and Greek troops have resulted in only a few brushes with small groups of men, during which no prisoners were taken and no casualties occurred.

3. A frontier incident, involving the Yugoslav and Greek guard detachments on the road just south of Zhivojna (about 15 miles WNW of Florina), reflects a similarly aggressive attitude on the part of the Yugoslavs. The sequence of events is as follows: On 11 July a soldier from the Yugoslav frontier guard detachment deserted to the Greeks. Next day, the Yugoslavs accused the Greeks of having kidnapped the deserter and demanded his return. The demand was refused, and that night the Yugoslavs surrounded the Greek frontier post, and a brisk exchange of fire began. The Yugoslavs captured

⁴ See vol. i, document No. 461, footnote 2.
one of the Greek soldiers, and then withdrew to their own side of the frontier.

4. The next day, 13 July, Brigadier Saunders-Jacobs, commander of 5 Brigade, 4 Indian Division, came with the Yugoslav Consul from Salonika to investigate the incident, and, if possible, to effect an exchange of the prisoners. The Yugoslav Consul verified the Greek report that the Yugoslav soldier was a deserter and had not been kidnapped; but the brigadier could not find any Yugoslav officer with enough authority to order the prisoners exchanged. The officer who commanded the Yugoslav frontier detachment apparently behaved with calculated rudeness, spitting on the ground by Brigadier Saunders-Jacobs’ feet, and cracking a whip in the interpreter’s face.

5. The affair was further complicated by the fact that on the night 13–14 July a Greek soldier deserted from the frontier detachment, thus giving the Yugoslavs two bodies for one. A second meeting between British and Yugoslav officers, arranged for 15 July, failed to take place when the Yugoslavs did not show up at the appointed time. Thereupon the British decided to take no further initiative, and so the matter rests as of 18 July.

Attempts to Propagandize:

6. Apparently the principal activity of these bands has been dissemination of propaganda. They have circulated in both Greek and Slavophone villages, saying that the Communists will soon be back, with the Russians behind them. In addition, about a dozen civilians have been murdered, though the motives for the killing are not always discernible. Near Florina, a number of KKE pamphlets were captured on 15 July, which proclaimed the initiation of a more active, aggressive policy, including the hold-up of British trucks and the arrangement of jail-breaks. The following day, a British truck was ambushed on the road between Edessa and Florina, and one British soldier was killed, one wounded, and a third taken prisoner. (The prisoner was released, stark naked, a few hours later.) Another British truck encountered an undefended block across the same road on the night 15–16 July.

7. The relation of these bands to the “Autonomous Macedonia Movement” is not clear. The personnel of the bands seems to be Greek rather than Slavo-Macedonian, comprising former ELASites who fled across the Yugoslav border in the early part of this year. So far as is known, autonomy for Macedonia has not figured in their propaganda.

Comment:

8. It seems likely that the Yugoslav Government is deliberately seeking to create disorder in Greece for ends of its own. If the Slav
minority in Greek Macedonia can be made into a world problem, the Yugoslav Government will thus acquire one more claim with which to bargain when it comes to the readjustment of frontiers at the Peace Conference. Furthermore, until the question of world relations between Russia and England has been amicably settled, the possibility of Yugoslav invasion of Greek Macedonia cannot be totally discounted. In such an eventuality, it would save world opinion if there were "oppressed Slav brethren" to rescue from "reactionary terrorism"; and the best way to provoke such terrorism, is, of course, to send former ELAS bands across the border.

William H. McNeill,
Asst. Military Attaché,
Captain, O. A. C.

Sterling L. Larrabee,
Lt. Colonel, G. S. C.,
Military Attaché.

No. 1080

700h.687/2-245

Memorandum by the Assistant Chief of the Division of Near Eastern Affairs (Kohler) 1

SECRET

[WASHINGTON,) July 25, 1945.

MEMORANDUM OF CONVERSATION

Subject: Reaction to Tito's Charges of Terrorism.
Participants: Greek Ambassador 2
Mr. Henderson
Mr. Kohler

The Greek Ambassador called at his request to read us a telegram from his Government which may be summarized as follows:

The telegram quoted the text of a note, dated July 23, received by the Greek Foreign Office from the Yugoslav Legation at Athens demanding that the Greek Government forthwith "bring to an end the terror and persecution directed against the population of Yugoslav origin in Aegean Macedonia and respect the rights of our minority" therein, that these persons have their property restituted and be paid reparations. (For full text see Athens' no. 742, July 23, midnight, copy of which is attached 3).

The Foreign Ministry considered this as undoubtedly a premeditated action against the security of the Greek State and particularly of

1 Printed from an unsigned carbon copy. The gist of this memorandum of conversation was included in telegram No. 150 of July 28 from Grew to Byrnes (file No. 800.00 Summaries/7-2845).
2 Cimon P. Diamantopoulos.
3 Not printed. See document No. 1077, footnote 4.
Greek Macedonia. It did not want to consider this action as the forerunner of an attack but felt it could not rule out the possibility, particularly in view of the persistent circulation of rumors that such attack was planned for July 26. The Foreign Office considered the note unacceptable as direct intervention in Greek internal affairs. Greece had never recognized the existence of a Yugoslav minority and did not intend to do so. There were some Slavic-speaking people in northern Greece who had never been recognized or considered to be Yugoslav or Bulgarian nationals. Even if they had, Yugoslav interference could not be admitted.

The Foreign Office therefore felt that it must avoid answering this note, as otherwise Greece would be unable to maintain her prestige as an independent state.

The Greek Government had done everything possible to reestablish public order in northern Greece. Any Slavic-speaking refugees in Yugoslavia were certainly Greek collaborationists who had followed the Germans out of Greece in order to avoid the just action of Greek courts or else fugitive members of the ELAS some of whom had fled to Yugoslavia, taking hostages. In fact Yugoslav and Bulgarian bands had been making raids into Greek territory and had thus delayed the restoration of public order in northern Greece. In this connection the Foreign Office cited an attack on a British lorry near Florina.

The Foreign Office believed that the Allies must consider this matter in connection with the evolution of Russo-Turkish relations, believing it possible that action was contemplated against Turkey simultaneously with an attack by Tito and Hoxha on Greece.

The Foreign Office commented that the present Yugoslav démarche showed that no consideration had been given by Tito to the recent British and American representations on this matter.

The Ambassador was instructed to see the Acting Secretary and to express the Greek Government’s hope that the British and American Governments would not fail to take the necessary steps and measures to terminate Tito’s aggressive tactics. For its part the Greek Government intended to take no action in this connection until it had received the views of the United States and British Governments.

The Ambassador expressed alarm and grave apprehension at the state of relations between Greece and Yugoslavia. In commenting on the Yugoslav note, he drew particular attention to the phrase “Aegean Macedonian” [Macedonia] used therein instead of the usual terms “Greek Macedonia” or “Northern Greece”. The Ambassador requested and was assured that he would receive Mr. Henderson’s assistance in arranging for him to see the Acting Secretary.⁴

⁴ Diamantopoulos called on Grew on July 27 and repeated the major points recorded in this memorandum.
No. 1081

_The Secretary of State to the Acting Secretary of State_

SECRET

BABELSBERG, July 28, 1945.

VICTORY 392. To Acting Secretary of State, Washington.

Reference your 117, July 24\(^1\) regarding notes of protest received by the Embassy at Belgrade from the Yugoslav Foreign Office concerning disturbances along the Greek-Yugoslav frontier. I concur in your belief that this situation can best be solved by an on the spot investigation of the Yugoslav charges. I do not believe that it is desirable to send a special mission into this area. Therefore your proposed reply should be amended to indicate that we are prepared to recommend the appointment of a commission composed of military and political representatives drawn from the present staffs of the American, British and Soviet missions in Belgrade and the American and British missions in Athens. It would be necessary for the Soviet Government to appoint a special group to collaborate with the Athens group. With this clarification I agree that you should proceed to take immediate action on this matter.

BYRNEs

\(^1\) Document No. 1077.

No. 1082

_The Acting Secretary of State to the Chargé in Yugoslavia (Shantz)_

SECRET

WASHINGTON, July 28, 1945—10 p. m.

220. Please inform Foreign Office, with reference to its communications of July 18 and 19, (Your teles 295 and 300, July 20 and 21\(^1\)) that the United States Government has given most urgent consideration to the views of the Yugoslav Government in regard to the situation described in those communications and welcomes the implication contained in the communication from the Yugoslav Government of July 18 that the matter should be resolved on an amicable basis in accordance with the principles of international law. The United States Government is prepared to recommend the appointment of a commission composed of military and political representatives drawn from the present staffs of the American, British and Soviet missions in Belgrade and the American and British missions in Athens to investigate charges of violations by the Greek Government in Greek Macedonia of the principles of international law laid down in the

\(^1\) Neither printed. See document No. 1077.

[No. 1082]
Atlantic Charter, the Declaration by United Nations and the Charter of the United Nations and to submit recommendations for acceptance by the two governments concerned. It would be necessary for the Soviet Government to appoint a special group to collaborate with the group drawn from the American and British missions in Athens. The Government of the United States is consequently inquiring of the British and Soviet Governments whether they would be disposed to join with the United States in this manner and will communicate further with the Yugoslav Government in the premises in due course. (Sent to Belgrade and repeated to Athens 2).

Meanwhile, the United States Government expects that neither the Yugoslav Government nor the Greek Government, which is being similarly informed, will take any unilateral action which might further complicate the situation.

GREW
J[ohn] D H[ickerson]
by W[alworth] B[arbour]

2 MacVeagh, in telegram No. 754 of July 28 (file No. 760h.68/7-2345) was instructed to inform the Greek Government of this communication to the Yugoslav Foreign Office.

No. 1083

740.00119 (Potsdam)/7-3045

SECRET

Proposal by the British Delegation 1

SOUTH-EAST EUROPE

MEMORANDUM BY THE UNITED KINGDOM DELEGATION

The United Kingdom Delegation suggest that it might be desirable for the Conference to issue at its conclusion a statement on the following lines:—

The three Heads of Government noted with regret that charges of aggressive action were being made by Governments in South-East Europe against their neighbours, and that fears were entertained of attempts to anticipate the peace settlement by violent and unilateral action. The three Heads of Government would be strongly opposed to any such attempts, which would be contrary to the principles for which the war has been fought and which are embodied in the Charter of the United Nations. They are confident that the Governments of the countries concerned, which have so recently suffered in common

1 Attachment 11 to the summary of the Tenth Meeting of the Foreign Ministers, July 30. See ante, pp. 494, 498. This proposal was apparently withdrawn by Bevin at the Eleventh Plenary Meeting, July 31. See ante, pp. 525 (footnote 46), 537.
the trials of war and of Fascist occupation, will find peaceful means of solving their differences, and that their people will now be enabled to enter a period of prosperous and democratic development, on the lines laid down in such documents as the Varkiza Agreement ² and the Tito-Šubasić Agreement.³

Potsdam, 30th July, 1945.

² Text in Woodhouse, Apple of Discord, p. 308.
³ See Foreign Relations, The Conferences at Malta and Yalta, 1945, pp. 251-254.

No. 1084

868.00/7-3143: Telegram

The Acting Secretary of State to the Chargé in the Soviet Union (Kennan) ¹

RESTRICTED

WASHINGTON, July 31, 1945—7 p. m.

1710. Please inform FonOff in response to notes dated July 18 and 19 ² addressed by Yugo FonOff to US Embassy Belgrade charging Greek Govt with violations in Greek Macedonia of principles of international law laid down in Atlantic Charter, Declaration by United Nations and Charter of United Nations, that Embassy at Belgrade has been instructed to reply to Yugo FonOff that US Govt is prepared to recommend appointment of commission composed of military and political representatives drawn from present staffs of US, Brit and Soviet missions in Belgrade and US and Brit missions in Athens to determine whether or not Greek Govt has been or is violating in Greek Macedonia principles enunciated in documents referred to above and to submit recommendations for acceptance by two Govts concerned. US Govt will accordingly appreciate indication by Govt to which you are accredited as to whether that Govt is prepared to collaborate with US Govt in conducting such investigation and making such recommendations to Yugo and Greek Govts. It would, of course, be necessary for Soviet Govt to appoint special group to collaborate with group drawn from US and Brit missions in Athens. (Sent London and Moscow; repeated Belgrade and Athens.)

For your info this matter was submitted to SecState at Potsdam and he concurs in this course of action. Also Greek Govt has been apprised of communication by US Embassy Belgrade to the Yugoslav Govt referred to above.

Grew

S[amuel] R[eber]

¹ An identical instruction was sent to Winant at the same time as telegram No. 6375.
² Neither printed. See document No. 1077.

[No. 1084]
The Acting Secretary of State to the Secretary of State

SECRET

[WASHINGTON,] July 31 [1945.]

167. Department is instructing Embassies Moscow and London to inform FonOffs of our recommendation of appointment of tripartite commission in accordance with urchel VICTORY 392, July 28,¹ and to solicit indication by FonOffs of agreement of Soviet and British Governments to collaborate in this matter.

[GREW]

¹ Document No. 1081.

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The Ambassador in Greece (MacVeagh) to the Acting Secretary of State

SECRET

ATHENS, August 1, 1945—6 p. m.

781. I communicated to Prime Minister yesterday Dept’s reply Yugoslav Govt (your telegram 754, July 28 ¹). He made no comment pending possible direct reply my telegram 742, July 23.² Meanwhile, according Caccia British Chargé d’Affaires, no reply that connection received yet from London. However Caccia reports conversation with Tsamados Greek Under Minister Foreign Office according to which Greek Govt anxious not raise “Macedonian question” and believes Yugoslav Athens note probably due instructions following Tito–Stevenson conversation (Belgrade’s telegram 305, July 21 ³) and “unorthodox style” possible result inexperience Yugo Secretary now Acting Chief Mission here. If these beliefs correct Tsamados said would be inclined suggest Greek Yugo Govts settle matter between selves possibly after arrival here new Yugo Minister who should be briefed with full details allegations his Govt desires make. However, while ready investigate alleged border incidents and discuss disposal Greek nationals who may have fled Yugo, Greek Govt would wish make clear in advance impossible agree any foreign Govt has right intervene concerning Greek nationals.

Above appears indicate may be unnecessary place present question high international level at least so far as concerns Greece. Regarding alleged border incidents British investigating and British Acting

¹ Not printed. See document No. 1082, footnote 2.
² Not printed. See document No. 1077, footnote 4.
³ Not printed. See document No. 1078.
Consul Gen Salonika⁴ reports only three of six places mentioned Yugo’s note July 21 [1945]⁵ addressed Allied Missions Belgrade can be identified and seriousness can be judged by “the fact that no tank can approach within five miles junction Bulgar Yugo Greek frontiers and that only Greek detachment near Djevdjelija is station at Êvzonoí (Matsikovon) and not issued with mortars”.

Regarding accusations persecution Slavophobes [Slavophones] in Greek Macedonia and exodus refugees Yugo, Caccia states “facts as known to us are that the numbers do not exceed about 5,000 including elements ELAS. Owing absence strict Greek frontier control due shortage Greek troops and Gendarmerie there has been no check individual movements into Yugo and difficult arrive correct figures. On other hand there is evidence armed bands crossing into Greece from Yugo and the two main bands so far identified are reported about 100 strong”. Recommend Dept refer enclosure my despatch 1346, July 24 ⁶ made by American officer on spot. This officer now again Greek Macedonia with instructions continue reporting this subject.

MacVeagh

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⁴ Alfred Hazell King.  
⁵ Not printed.  
⁶ Document No. 1079.

No. 1087

740.00119 (Potsdam)/S-845

Memorandum by the Executive Secretary of the Central Secretariat (Yost)¹

[Extract ²]

TOP SECRET

[WASHINGTON,] August 8, 1945.

BERLIN CONFERENCE

YUGOSLAVIA

Differences between Yugoslavia and Greece were discussed at various times during the Conference, the Soviets accusing the Greeks of aggressive designs against Yugoslavia and the British maintaining that the Belgrade and Moscow radios were circulating fantastic and unfounded stories to this effect. The British presented a proposal for a joint injunction to the Yugoslav and Greek Governments to

¹ Printed from an unsigned carbon copy. For the minutes of the discussions summarized in this memorandum, see ante, pp. 116, 152–154, 525.
² For the other paragraph of this memorandum, see document No. 1205.

[No. 1087]
avoid hostile action pending an impartial investigation\(^3\) but, when
the Soviets responded by introducing two proposals directed against
Greece,\(^4\) all three were withdrawn and no action was taken.

\(^3\) The British proposal referred to is apparently document No. 1083, although
that paper did not refer to an impartial investigation of Yugoslav-Greek differ-
ences. During the course of the Conference, however, the United States proposed
through normal diplomatic channels the appointment of an investigating commission
(see document No. 1084).

\(^4\) The two Soviet proposals referred to are apparently documents Nos. 1211 and
1423. See ante, pp. 525 (footnote 46), 537.
ITALY

GENERAL POLICY, REVISION OF SURRENDER TERMS, AND CONCLUSION OF A PEACE TREATY

Editor’s Note.—Related papers are printed under the following headings: (a) Establishment of a Council of Foreign Ministers and Dissolution of the European Advisory Commission, ante, page 609; (b) United Nations—Admission of Bulgaria, Finland, Hungary, Italy, Rumania, and Spain, ante, page 621; and (c) Implementation of the Yalta Declaration on Liberated Europe, ante, page 643.

No. 1088

740.00119 P. W./T-1645

The British Embassy to the Department of State

[Extract]

AIDE-MÉMOIRE

6. On the other hand, His Majesty’s Government were as anxious as [the] United States Government to proceed to the conclusion of the Italian peace treaty as soon as possible. They were also disposed to think that a public statement by the United States, United Kingdom and Soviet Governments at Terminal that they were in favour of the early conclusion of a Peace Treaty would be desirable and have a useful effect in Italy and intended to recommend this course to the other interested Allied Powers. His Majesty’s Government had, therefore, already suggested that in any tripartite discussions on Italy at Terminal, the United Kingdom Delegation should propose that some such statement should be issued at the end of the Conference. We felt, however, that it was highly important that any such statement about the desirability of the early conclusion of an Italian peace treaty should be made in the names of all three Governments and that any unilateral statement by one of the Governments—and a fortiori any unilateral statement on the lines suggested by the State Department—would be most unfortunate.

1 For the first five paragraphs of this aide-mémoire, see document No. 722.
2 See document No. 242, printed in vol. 1, and document No. 723, ante.
7. His Majesty's Government hoped, therefore, that the State Department would agree to take no further action in the matter until the question had been discussed at TERMINAL and until it had been decided whether any statement would be issued there on the subject of the conclusion of the peace treaty.

The Foreign Office would inform the United Kingdom Delegation at TERMINAL of the position and hoped that the United States Delegation might be similarly informed by the State Department.

WASHINGTON, July 16th, 1945.

3 Of issuing a statement on the admission of Italy to the United Nations.

No. 1089

Truman Papers

Proposal by the United States Delegation ¹

TOP SECRET [BABELSBERG, July 17, 1945.]

POLICY TOWARD ITALY

The objectives of the three governments with regard to Italy are directed towards her early political independence and economic recovery, and the right of the Italian people ultimately to choose their own form of government.

Italy's present status as co-belligerent and unconditionally surrendered enemy is anomalous, and hampers every effort both by the Allies and by Italy herself, to improve Italy's economic and political situation. This anomaly can be finally solved only through the negotiation of a definitive peace treaty which would at best require some months. The preparation of such a treaty should be one of the first tasks of the suggested council of foreign ministers.²

Meanwhile, however, improvement in the Italian internal situation would be greatly facilitated by some immediate interim arrangement whereby the Italian Government would have some tangible recognition of Italy's contribution toward the defeat of Germany.

It is therefore recommended that the short terms of surrender and the numerous obsolete clauses of the long terms of surrender ³ be

¹ Attachment 4 to the minutes of the First Plenary Meeting, July 17. See ante, p. 54. Cf. document No. 214, printed in vol. I. Dunn's copy of document No. 214 bears the following notation in his handwriting: "Mr. Churchill speaks of difficulties of war for 2 years & losses of ships &c[.] This in disagreement but wishes to study."
² See document No. 711.
³ I.e., the Conditions of an Armistice, signed at Fairfield Camp, Sicily, September 3, 1943 (Treaties and Other International Acts Series No. 1604; 61 Stat. (3) 2740).
⁴ I.e., the Instrument of Surrender of Italy, signed at Malta, September 20, 1943 (Treaties and Other International Acts Series No. 1604; 61 Stat. (3) 2742).
terminated, and replaced by certain undertakings on the part of the Italian Government to meet the requirements of the existing situation.

These undertakings should provide:

1. That the Italian Government will refrain from any hostile action against any of the United Nations pending the conclusion of the treaty of peace.
2. That the Italian Government will maintain no military, naval or air forces or equipment, except as authorized by the Allies, and will comply with all instructions on the subject of such forces and equipment.

Under this interim arrangement, control of Italy should be retained only so far as is necessary:

a. To cover Allied military requirements, so long as Allied forces remain in Italy or operate therefrom.

b. To safeguard the equitable settlement of territorial disputes.

No. 1090

740.00119 Potsdam/7-1945

The Acting Secretary of State to the Secretary of State

WASHINGTON, July 18, 1945.

SECRET

MEMORANDUM FOR THE SECRETARY OF STATE

The Italian Ambassador[^1] called on me this morning and left with me the appended papers which he asked be sent to you for the President’s and your consideration during the present meeting at Potsdam. The Ambassador said that his Government is seriously worried about indications that a peace treaty for Italy might be drawn and that the British and Soviet Governments are inclined to make the terms as harsh as possible. He said that if this were done it would destroy Italian morale and make it impossible for Italy to recover its position in the world, which he believed was not in the best interests of the European nations. The Ambassador feared that the general lines for such a treaty would be laid down at the present meeting and would be accepted. He asks on behalf of his Government that the United States Government take a position at Potsdam which would avoid laying down harsh terms for Italy.

JOSEPH C. GREW


[No. 1090]
[Enclosure 1]

The Italian Ambassador (Tarchiani) to the Acting Secretary of State

N. 5760  

WASHINGTON, July 18, 1945.

My Dear Mr. Grew: I have just received from Rome instructions to officially thank the Department of State in the name of the Italian Government for the so encouraging assurances recently given to me and indicating the intention of the United States not to proceed to the signature of a treaty deemed inequitable or oppressive for Italy and to do their utmost, from the Potsdam Conference on, to avoid that such a tendency should prevail.

My Government have also deeply appreciated the verbal communication according to which it was the expectation of the United States Government, that before any Italian peace treaty be put in final form, a full opportunity be offered to the Italian Government to discuss it and present their views.

In consideration of the friendly spirit of such assurances, I want to convey to you personally the heartfelt and profound gratitude of my Government who have highly appreciated this new evidence of the purposes of equity and generous comprehension inspiring the United States toward the Italian nation, in the difficult international situation confronting it at the present time.

Please accept [etc.]

TARCHIANI

[Enclosure 2]

The Italian Ambassador (Tarchiani) to the Acting Secretary of State

N. 5759  

WASHINGTON, July 18, 1945.

My Dear Mr. Grew: My Minister of Foreign Affairs has directed me to convey to the Department of State our deepest gratitude for the action taken with regard to our declaration of war against Japan and for the very valuable advice given us.

Mr. De Gasperi has instructed me to tell the Department of State that the Italian Government is placing its highest hopes in the action that the President of the United States of America may deem it fitting to take at Potsdam for the purpose of alleviating the terms of a peace treaty for Italy. The Foreign Minister has also asked me to inform you of the following views the Italian Government has on the matter.

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2 The enclosures are printed from the signed originals in the files of the Department of State (file No. 740.00119 EW/7-1845).

3 Aclide De Gasperi.

4 See vol. 1, documents Nos. 236 (footnote 4) and 237.
It is certain that, should particularly harsh peace terms be imposed upon Italy, even though not in the form of a veritable "Diktat", thereby humiliating and thwarting the Italian nation, the orderly development of a working democracy in Italy would be seriously endangered.

The basic necessity for Italy—as the Department of State fully realizes—is, at the present time, to be released from the Armistice terms, and to be internationally rehabilitated, so as to allow her to take part in the negotiations for the peace treaty in which she is concerned.

If, therefore, the action of the President of the United States and of the American Delegation at the Potsdam Conference should encounter obstacles and difficulties..., the Italian Government would deem it more preferable if provisional solutions could be adopted which, although settling the fundamental problem of the moral and juridical status of Italy, would leave open the more controversial questions, such as those of Venezia Giulia, of the final settlement of the Italian colonies, and of the fleet (the latter being bound to constitute, in the firm intention of the Italian Government, an important part of the Italian contribution to the war against Japan).

The Italian Government shall be extremely grateful to the United States if, were such a necessity to arise, they would consider it possible to withhold final decisions which would allow Italy to make some headway against opposing international currents, after having, of course, succeeded in attaining on a general basis her international rehabilitation. This would leave to time and to the evolution of the European events in general and of the Balkan situation in particular the possibility of working out with more chances of equitable solutions, a far-reaching and constructive European settlement.

In bringing to your knowledge, according to instructions received, the above-mentioned viewpoints of the Italian Government, I shall be very grateful to you, Mr. Grew, if you will kindly communicate the foregoing to the President of the United States or to the American Delegation at Potsdam.

I avail myself [etc.]

TARCHIANI

[No. 1090]
Policy Toward Italy

The objectives of the Three Governments with regard to Italy are directed toward her early political independence and economic recovery, and the right of the Italian people ultimately to choose their own form of government.

Italy’s present status as co-belligerent and unconditionally surrendered enemy is anomalous, and hampers every effort both by the Allies and by Italy herself, to improve Italy’s economic and political situation. This anomaly can be finally solved only through the negotiation of a definitive Peace Treaty which would at best require some months. The preparation of such a Treaty should be one of the first tasks of the suggested Council of Foreign Ministers, which should be invited to press on with the matter with the utmost expedition.

Meanwhile the Three Governments should agree to certain steps which would afford some further acknowledgement of Italy’s contribution toward the defeat of Germany.

As a first step in this direction the Three Governments should publicly announce their intentions as to the early conclusion of a Peace Treaty; coupled with an undertaking to provide Italy with such economic assistance as is practicable and reiterating the desirability of early elections in Italy.

As a second step, the Allied Commission in Italy should be invited to accelerate the steps already taken to transfer increasing responsibilities to the Italian Government.

Moreover, the Three Governments should agree to suspend those clauses of the terms of surrender which may now be considered as obsolete, retaining as active obligations on the part of Italy those provisions which would constitute undertakings on the part of Italy to assure:

a. Compliance with Allied military requirements, so long as Allied forces remain in Italy or operate therefrom.

b. Safeguards for the equitable settlement of questions regarding disposition of military or naval armament, reparations, territorial settlements, or other matters requiring detailed and technical study in the negotiation of the final peace treaty.

c. The maintenance by the Italian Government of only the military,
naval or air forces or equipment, as authorized by the Allies, and compliance with all instructions on the subject of such forces and equipment.

To accomplish these purposes the Three Governments should agree to authorize their respective Ambassadors in Italy,2 in consultation with the Supreme Allied Commander,3 together to place before their respective Governments a report stipulating those provisions of the terms of surrender to be henceforth considered as inoperative, approval of the Three Governments then to be sought through diplomatic channels.

2 Alexander Kirk, American Ambassador; Sir Noel Charles, Bart., British High Commissioner; and Mikhail Alexeyevich Kostylev, Soviet Ambassador.
3 Field Marshal Sir Harold Alexander.

No. 1092

740.00119 Potsdam/7-2145

Proposal by the United States Delegation ¹

TOP SECRET

[BABELSBERG,] July 21, 1945.

POLICY TOWARD ITALY

The objectives of the Three Governments with regard to Italy are directed toward her early political independence and economic recovery, and the right of the Italian people ultimately to choose their own form of government.

The Three Governments agree to certain steps which would afford some further acknowledgement of Italian contribution toward the defeat of Germany.

1. The Three Governments will publicly announce their intention to conclude a peace treaty with Italy at an early date coupled with an undertaking to provide Italy with such economic assistance as is practicable and reiterating the desirability of early elections in Italy.

2. The Allied Commission in Italy will accelerate the steps already taken to transfer increasing responsibilities to the Italian Government.

3. The Three Governments agree to instruct their respective Ambassadors in Italy, in consultation with the Supreme Allied Commander, together to place before their respective governments before September 1, 1945 a report stipulating those provisions of the terms of surrender to be henceforth considered as inoperative, for approval of the Three Governments.

¹ Submitted to the Fourth Meeting of the Foreign Ministers, July 21. See ante, p. 194.

EDITOR’S NOTE.—For the final Conference texts on this subject, as included in the Protocol and Communiqué, see post, pages 1492, 1509.
Soviet Policy

Stalin stated that he had no objection in principle to the United States proposal presented at the opening of the Conference providing for a considerable easing in the terms of surrender for Italy. He motivated his support for this proposal by the same line of policy which he had advanced in connection with Romania, Hungary, Bulgaria and Finland, i.e., the desire to detach these countries permanently from Germany and align them in interest and sentiment with the Allies. He was, however, totally unwilling to accept any action in regard to Italy which the United States and Britain were not willing to apply in equal measure to Romania, Bulgaria, Hungary and Finland. This attitude on his part prevented any measures by the Conference on Italy other than those set forth in that section of the communique on “Conclusion of Peace Treaties and Admission to the United Nations Organization”.

The Soviets complained on several occasions that their representatives in Italy had not been accorded equal status on the Allied Control Commission and had not been consulted in advance in regard to many of the important measures of Allied policy taken in regard to Italy. The Soviets did not, however, press this issue but used it largely in an attempt to justify the procedures they had followed in the Allied Control Commissions in Romania, Bulgaria and Hungary.

British Policy

Churchill delivered a strong indictment of the behavior of Italy before and during the war. He stated that he was willing to go along with some easing of the surrender terms but he was not willing to go as far as the United States proposal on this subject. He was also in agreement that the Council of Foreign Ministers should start the work of preparing a peace treaty for Italy but he did not believe it advisable for the Council to come to a conclusion until there had been free elections in Italy and until the Italian Government which consists now simply of politicians rests on a democratic foundation. He did
not think the undertakings contained in the American proposal in substitution for the surrender terms went far enough since they did not cover the future of the Italian fleet, the Italian colonies, reparations, and other important points.

There was no very clear indication of the attitude toward Italy by the new Labor Ministers except that they supported those portions of the communique having to do with the conclusion of the peace treaty with Italy and its admission to the United Nations.

REPARATIONS

No. 1094

749.00119 Potsdam/7-1745: Telegram

The Representative on the Allied Commission on Reparations (Pauley) to the Acting Secretary of State

SECRET

BABELSBERG, July 17, 1945.


Understand that Reinstein has been preparing materials on possible Italian reparations and restitutions. Urgently require outstanding features of this report. Cable summary to me at Tripartite Conference Headquarters MASTERWORK Berlin with particular emphasis upon what might be available for reparations and possible value of same. Send also estimates made by State and FEA as to value of imports required by Italy in order to maintain her economy over the coming year. (Repeat message for Sproul, c/o American Delegation, Allied Commission on Reparations, American Embassy, Moscow, for his information numbering the repeat message as follows CONFREP 3.)

No. 1095

Truman Papers

The Representative on the Allied Commission on Reparations (Pauley) to the President

[BABELSBERG,] July 18, 1945.

MEMORANDUM TO THE PRESIDENT

It is important that we get a definite picture of what Generalissimo Stalin had in his mind yesterday when he raised the question of securing reparations from Italy.¹

¹ See ante, p. 55.
As you know, Italy is going to be dependent on the United States for its sheer existence during the coming winter. The economic situation there verges on a state of almost complete economic disorganization. I understand that our Army representatives on the scene have estimated that the United States would have to ship approximately 750 million dollars worth of food and other materials into Italy in order to tide the country over until next spring. Investigations made by FEA place the figure at over a billion dollars, while the State Department estimates it to be no less than 500 million.

Under these circumstances, it is quite evident that we can look for very little in the form of reparations from Italy. Indeed, in the final analysis, any reparations coming from there would in fact be a contribution from the taxpayers of the United States. We certainly cannot permit materials and equipment to be taken out as reparations when at the same time we are pouring in hundreds of millions of dollars to keep the Italian people alive.

In order to clarify this issue fully, I am taking the liberty of suggesting that you ask the Generalissimo just what he has in mind when he talks about “reparations from Italy”. You might wish to ask him to be specific as to what he expects to take out and how large a sum he has in mind.

Respectfully

EDWIN W. PAULEY

No. 1096

740.00119 EW/7-1845: Telegram

The Director of the Office of Financial and Development Policy (Collado) to the Acting Chief of the Division of Financial Affairs (Reinstein) and the Acting Chief of the Division of Economic Security Controls (Oliver)¹

SECRET

BABELSBERG, July 18, 1945.

VICTORY 77. To Acting SecState Washington for Reinstein and Oliver from Collado.

The Soviets have touched on subject of Italian reparations (ref Lubin’s telegram to Kindleberger ²). My tentative view is no reparation claim against Germany³ and no current or productive capital goods payments by Italy.

We should allow restitution from Germany limited to works of art, et cetera, and should require restitution by Italy of such articles. Perhaps we should allow some token deliveries to Greece and Ethi-

¹ Sent to the Acting Secretary of State over the signature of Byrnes.
² See document No. 1094.
³ i.e., by Italy.
opia. Presumably Latin American and other nations will satisfy claims for ship sinkings, et cetera, by holding on to Italian external assets.

What are your views on U. S. position on this point, and your comments on entire Italian reparations and restitution problem?

Send immediately background information on Italy's relief, rehabilitation, and reconstruction needs, her overseas assets, her shipping position, et cetera. Also background material on our attitude and actions with respect to Finnish, Hungarian, Bulgarian, and Rumanian reparations, none of which was included in my papers.

No. 1097

Pankey Files

British Text of a Draft Report by the Economic Subcommittee ¹

[Extract ²]

Draft Report of the Economic Sub-Committee of the Foreign Secretaries on the Subject of the Liability to Reparations of Italy and Austria

The Sub-Committee have regarded it as outside their competence to discuss the question whether reparations should or should not be exacted from Italy and Austria on political grounds. From the economic point of view, the Committee make the following report.

A. Italy

Italy is at present indebted to the United States Government and the U. K. Government for relief supplies for the civilian population and for supplies to the Italian Forces. The debt at present stands at about $500 million and the debt will be further increased before the existing arrangements can be terminated. The discharge of this debt would, in the view of the Sub-Committee exceed the capacity of Italy to make external payments for many years to come. Neither the United States Government nor the U. K. Government are prepared to grant financial facilities to Italy for the purpose of enabling her to pay reparations. It is also certain that UNRRA will not be prepared to send supplies to Italy free of cost in order to enable Italy to pay reparations.

2. The Committee suggest that further consideration should be given to the question of Italy making compensation in other ways to the Allied countries chiefly concerned, including Greece and Yugo-

¹ Printed from the ribbon copy, which bears only uncertified typed initials.
² For the section of this draft dealing with Austria, see document No. 766.
slavia. Italy might, for example, be required to contribute, free of charge, anything needed by UNRRA for these Allied countries.

S. D. W[aley]


No. 1098

740.00110 EW/7-2145 : Telegram

The Washington Liaison Officer for the Delegation to the Allied Commission on Reparations (Kindleberger) to the Representative on the Allied Commission on Reparations (Pauley) ¹

SECRET

[WASHINGTON,] July 21 [1945.]

87. (For Pauley from Kindleberger. Repeat to Collado from Reinstein.)

Reference VICTORY-51, July 17.²

1. Italian reparations.

Following is summary of proposals on Italian reparations and restitution being prepared by Reinstein. Proposals have not been fully discussed and do not have Department approval.

a. From American policy viewpoint, highly undesirable that Italy be compelled to pay reparations. Economic security considerations not present which would call for plant removals, although some minor possibilities in armament and related fields might exist. Italy will require large external financial assistance for some time, most of which will have to come directly or indirectly from U. S. In view of Italian economic situation, any current reparations program would be paid largely by U. S.

b. It may not be practical from political viewpoint to insist on complete exclusion of reparations. Greece, Yugoslavia and Ethiopia have suffered from Italian aggression and will press claims strongly probably with backing by USSR of Yugo claim and by British of Greeks. UK, France, and probably USSR all will also press claims.

c. It will probably be necessary to consider token reparations to Greece, Yugo and possibly Ethiopia. US should seek to hold these to a minimum. Any reparations made by Italy should assume form which will involve no direct foreign exchange outlay, and lowest possible indirect exchange costs. Labor services and processing of imported raw materials furnished by reparations recipients offer some limited possibilities. If labor services used, some form of international supervision essential. Removal of plant for armament or related purposes such as aircraft manufacturing depends on decisions regarding Italian disarmament on which US position undetermined. Italian

¹ Sent to the Secretary of State at Babelsberg over the signature of Grew.
² Document No. 1094.
merchant shipping should not be taken for reparation purposes as it is important source foreign exchange earnings.

d. US should resist strongly anything beyond foregoing and particularly payments to larger powers, except to extent payment can be made from Italian assets in claimant countries.

e. US war claims not available but claims are principally for shipping losses. Some are for US government account, others for insurance companies which covered by premiums. These claims should not be pressed. Claims for war damage to American owned companies in Italy should be paid in lire, companies to be provided with foreign exchange cover for import needs within limits Italian reconstruction program. Settlement for minor claims, such as personal property losses, ship losses not covered by insurance, can be made directly between Italy and US possibly within limits of some agreed sum.

f. Italian prewar debts to US more important than war claims. Consist principally of dollar bonds, which Italian Government already informally indicated desire to refund and service after period of grace, with Italian Government assuming obligations of private debtors and municipalities. Solution of debt problem along these lines highly desirable. US should not object to full settlement of pre-war debts to other countries but should press for period of grace, possibly three to five years, during which payments would not be made out of current earnings in foreign exchange. This necessary to prevent immediate siphoning off of external financial aid and would also discourage full use of Italian assets to meet war claims. Similar arrangements should be made with neutrals on pre-war debt. Swiss and other neutral credits extended during Italian belligerency against us should be wiped out.

g. Treatment of Italian assets abroad. Allied countries would be allowed to seize and liquidate Italian assets in their territories to pay claims and debts. Possible exception of right of seizure should be made of $140 million in gold held by British as collateral for World War I debts, to be subject separate negotiation whenever these debts settled. Assets in US $75 million of which $15 million vested by Alien Property Custodian. Further vesting, already suspended, not desirable. Italian assets not vested should be left under direct control of Italian Government, subject to freezing control of US Treasury. Mobilization of private cash and portfolio security holdings should be required, but liquidation small Italian real estate for example should not be forced. If satisfactory settlement of financial questions along lines of foregoing is worked out, Italian assets in US should be released from Treasury control and assets vested by Alien Property Custodian (except patents) should be returned to owners. Patents require further consideration. Italian assets in neutral countries should not be used to pay reparations.

h. Restitution. Only known restitution claim against Italy of significance is for $10 million gold of Yugoslav National Bank. This is presumably with gold carried away by Germans and reported captured by American forces in North Italy. Subject to review of facts, recommend restoration of this gold to Italy with requirement full reimbursement to Yugoslavia. Gold claims by Albania may also
exist and should, if proved, be satisfied. Restitution of art works should also be required. Restitution of plant equipment, rolling stock, etc. where identifiable recommended if no reparations policy agreed to. May be desirable if reparations can be held to genuine token amounts.

2. **Italian claims against Germany.**

Italy should be given no share in German reparations unless admitted to the United Nations prior to determination of shares. If this should occur, further consideration necessary. Italy should be allowed restitution of art works. Whether admitted as restitutions claimant for other property depends on (a) political decisions on Italy's status, (b) general restitutions policy. No specific recommendation made, but suggest consideration restoration on limited basis of property removed by Germans after recognition of Italian co-belligerency, particularly rolling stock.

German holdings in Italy should be liquidated. Italy should be allowed to retain German assets in Italy except gold and foreign currency. (On this point there has been disagreement in discussions within the Department.)

3. **Italian import requirements.**

In view lack of detailed information on conditions in Northern Italy, satisfactory estimate Italian requirements coming year not available. Best estimate present information is $700 to $800 million, which would provide basic food, raw materials and modest amount reconstruction. Estimate deficit in Italian balance of payments next twelve months which must be covered by foreign financial assistance $500 million. Substantial amount required next twelve months with continuing aid at reduced level for several years at least.

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**No. 1099**

*Proposal by the Soviet Delegation*¹

[Translation]

[BABELSBERG, July 24, 1945.²]

**Regarding Reparations From Italy**

(1) To establish the total sums of reparations from Italy at $600,000,000.

¹ Enclosure 2 to the Rapporteur's report of the Ninth Meeting of the Foreign Ministers, July 27. See ante, pp. 446-447. This proposal was submitted, however, at the Seventh Meeting of the Foreign Ministers, July 24. See ante, p. 323.

² A translation in the Pauley Files is so dated. Cf. footnote 1, supra.
(2) Italy must bear the expense of the established reparations over
a period of six years with deliveries of products of Italian industry and
agriculture.

(3) Reparations from Italy must serve as compensation of losses
caused by the participation of Italy in the war to the Soviet Union,
Great Britain, the United States of America, Yugoslavia, Greece and
Albania.

No. 1100

740.00119 (Potsdam)/7-3145

Report by the Economic Subcommittee

[Extracts 1]

TOP SECRET

[Babelsberg, July 24, 1945.2]

SECOND REPORT OF THE ECONOMIC SUB-COMMITTEE TO THE FOREIGN
MINISTERS

1. The Economic Sub-Committee regrets to have to report that
after extensive discussions of the problems of German, Austrian, and
Italian reparations, it has failed to come to agreement and conse-
quently must refer these matters back to the Foreign Ministers for
decision.

2. The Sub-Committee has recognized the liability of Germany,
Austria, and Italy to exactions on account of reparation.

4. The Soviet representatives believe Austria capable of delivering
the equivalent of $250,000,000,000 in kind over six years, and Italy the
equivalent of $600,000,000, particularly as Italy and Austria will no
longer have their former military expenditures.3 The British and
American representatives, on the other hand, point out that both
Austria and Italy will require aid from abroad for some time to come,
that the U. K., U. S. and Canada have already supplied more than
$500,000,000 of goods to Italy to prevent disease and unrest, and that
any reparations deliveries from these countries would in fact be fi-
nanced by the nations supplying such goods. They are thus unable to
agree to the imposition of any reparation levies on the current produc-

1 For the other sections of this report, see documents Nos. 923 and 1322.
2 So dated in the "Index of Attachments to Summary of the Negotiations in the
Economic Sub-Committee" (file No. 740.00119 (Potsdam)/7-3145).
3 A variant version of this document (file No. 740.00119 (Potsdam)/7-3145),
identical with this paper in other respects, has the following final clause in this
sentence: "particularly as in the case of Italy she will no longer have her former
military expenditures."

[No. 1100]
tion of Austria and Italy. They would be prepared to consider the possibility of certain once-for-all removals of machinery and equipment from direct war industries having no peace-time utility.

No. 1101
Pauley Files

United States Delegation Working Paper

[BABELSBERG,] July 24, 1945.

UNITED STATES POSITION ON REPARATIONS FROM ITALY

1. Greece, Yugoslavia, and Ethiopia, shall file a statement of the nature and amount of their claims for reparations from Italy with the Allied Commission for Italy prior to November 1, 1945.

2. The Governments of the Soviet Union, the United Kingdom, and the United States will consider such claims, in consultation with other governments concerned, for the purpose of determining the extent to which and the manner in which Italy shall be required to make compensation for the losses suffered by these countries.

1 Authorship not indicated.

No. 1102
Pauley Files

United States Delegation Working Paper

[BABELSBERG,] July 25, 1945.

UNITED STATES POSITION ON COMPENSATION FOR WAR LOSSES FROM ITALY

1. Greece, Yugoslavia, and Ethiopia, shall file with the Allied Commission for Italy prior to November 1, 1945, a statement of the nature and amount of the damage suffered by them as a result of Italian military action.

2. The Governments of the Soviet Union, the United Kingdom, and the United States will consider such claims, in consultation with the other governments concerned, for the purpose of determining the extent to which Italy shall be required to make compensation by deliveries which will not in any way place any burden for supporting the Italian peacetime economy on any other country.

1 This document is apparently an alternative to document No. 1103. It bears the manuscript notation "JD" [Josiah DuBois?].
United States Delegation Working Paper

[BABELSBERG,] July 25 [1945.]

Reparations From Italy

1. Greece, Yugoslavia, Ethiopia and any other United Nation which claims to be entitled to reparations from Italy shall file a statement of the nature and amount of such claim with the Allied Commission for Italy prior to November 1, 1945.

2. The Governments of the Soviet Union, the United Kingdom and the United States will consider such claims, in consultation with the other governments concerned, for the purpose of determining the extent to which and the manner in which Italy shall be required to make compensation for the losses suffered by other countries as a result of Italy’s participation with Germany in the war.

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*1 This document is apparently an alternative to document No. 1102. It bears the drafting initials “JD” [Josiah DuBois?].

No. 1104

740.00110 (Potsdam)/7-3045

Proposal by the Soviet Delegation

[Translation]

[BABELSBERG,] July 30, 1945.

Regarding Reparations From Italy and Austria

Soviet Proposal

1. Italy and Austria must pay reparations in compensation of those losses which they caused the United Nations by their participation in the war on the side of Germany.

2. Reparations shall be paid in the form of immediate removals of equipment from those branches of their economy which are the most important elements of their military potential. Such removals should be concluded during a period of one year.

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*1 Attachment 15 to the summary of the Tenth Meeting of the Foreign Ministers, July 30. See ante, pp. 484, 499. Molotov had given Byrnes a copy of this proposal at a private meeting immediately preceding the Tenth Meeting of the Foreign Ministers. See ante, p. 482.

[No. 1104]
3. The total sum of reparations from Italy shall be established at three hundred million dollars. The Allied Reparations Commission shall define the amount of reparations from Austria.
4. Italy shall pay reparations to the Soviet Union, Yugoslavia, Greece and Albania; and Austria to the Soviet Union and Yugoslavia.

No. 1105

Proposal by the British Delegation

[Babelsberg,] July 30, 1945.

Italian Reparations

British Proposal

Italy shall be liable to make reparation to those of the United Nations against which she went to war. It is recognized, however, that such reparation must not be at the expense of those States which are furnishing or may continue to furnish Italy with minimum essential supplies or at the expense of the maintenance of Italy's economic stability.

It is recommended that the Council of Foreign Ministers should deal with the problem on this basis when considering the Italian peace treaty.

No. 1106

United States Delegation Memorandum

[Babelsberg,] July 31, 1945.

U. S. Statement

Italian Reparations

The United States Delegation, in accordance with the statement made by its representatives on the Economic Subcommittee, is unable to agree to the imposition of any reparations levies on the current production of Italy.

The United States Delegation would be prepared to consider the possibility of certain once-for-all removals of designated machinery and equipment from direct war industries in Italy having no peacetime utility.

1 It has not been determined whether this statement was actually made or circulated at the Conference.
No. 1107

Memorandum by the Executive Secretary of the Central Secretariat (Yost) ¹

[Extracts ²]

TOP SECRET [WASHINGTON,] August 9, 1945.

ITALY

Berlin Conference

Soviet Policy

On two occasions the Soviets presented proposals in regard to the imposition of reparations on Italy.³ The United States and Britain refused to agree except in the case of delivery of capital equipment from war industries having no peacetime utility. No decision was taken on this matter.

British Policy

... On reparations he ⁴ said that the British did not wish them for themselves but were thinking of Greece.

... They ⁵ also strongly supported the United States position on Italian reparations.

¹ Printed from the ribbon copy, which is unsigned. For the minutes of the discussions summarized in this memorandum, see ante, pp. 55, 174—175, 323, 464—465, 482, 484.
² For the other sections of this memorandum, see documents Nos. 738 and 1093.
³ Documents Nos. 1099 and 1104.
⁴ i.e., Churchill.
⁵ i.e., Attlee and Bevin.

RETENTION OF ALLIED FORCES AND OF A COMBINED COMMAND IN ITALY

No. 1108

740.00119 Control (Italy) 7–1745

The Joint Chiefs of Staff to the President

TOP SECRET WASHINGTON [Babetsberg], 17 July 1945.

Memorandum for the President

The Joint Chiefs of Staff have given careful consideration to the memorandum from the Secretary of State to the President dated 4 July 1945 on the subject of “Retention of Allied Forces in Italy.” ¹

In his memorandum the Secretary of State proposed that five Allied divisions, in addition to the two in Venezia Giulia, be retained in Italy until major problems are settled. This will require the retention in Italy of one U. S. division in addition to the present estimate of one for the Venezia Giulia commitment.

¹ Document No. 473, printed in vol. 1.
Under present redeployment plans there will be excess U. S. forces in Italy until December, 1945 and in Europe until April, 1946. It is thus not necessary at this time to accept a commitment to retain additional forces in Italy, and it is militarily undesirable to make a commitment for their retention until the situation requiring the presence of those forces becomes more apparent. Sufficient air forces remain in Europe even after redeployment to provide any necessary show of air forces in Italy.

In view of the above it is suggested that the question of the desirability of retaining additional United States forces in Italy be re-examined late in 1945, in the light of the situation as it will have developed.

In this connection, the Joint Chiefs of Staff have taken the position with the Combined Chiefs of Staff that a review of the situation in Italy should be made about 1 September 1945, with a view to early dissolution of the Allied Command, Mediterranean.²

For the Joint Chiefs of Staff:

WILLIAM D LEAHY
Fleet Admiral, U. S. Navy,
Chief of Staff to the
Commander in Chief of the Army and Navy.

² See vol. 1, document No. 479.

EDITOR'S NOTE.—For the action taken at the Conference on this subject by the Combined Chiefs of Staff, see volume I, document No. 479, footnote 3.

No. 1109

740.0019 Control (Italy)/7-3045: Telegram

The Assistant to the President's Personal Representative at Vatican City (Tittmann) to the Acting Secretary of State

SECRET

VATICAN CITY, July 30, 1945—3 p.m.

180. My 155, June 26.² Brigadier General Hume[,] Sr Civil Affairs officer Allied Military Govt, after audience with Pope July 28, reports burden of Pope's conversation was his concern lest Allied troops be withdrawn from Italy before conditions become normal again. Gen Hume said other highly placed ecclesiastics of his acquaintance in Rome including two Cardinals took occasion of his presence here now to speak emphatically to him in similar vein. TITTMAN³

³ The gist of this message was included in telegram No. 169 of July 31 from Grew to Byrnes (file No. 800.00 Summaries/7-3143).

² Not printed.
ADMISSION TO THE UNITED MARITIME AUTHORITY

No. 1110

800.857/1845: Telegram

The Acting Secretary of State to the Assistant Secretary of State (Clayton)\(^1\)

SECRET

[WASHINGTON,] July 18 [1945.]

57. For Clayton.

Following is for your information in event Admiral Land's attendance at conference leads to discussion of question of inviting Italy to join United Maritime Authority. Italy has intimated its desire to be invited to joint UMA and British Foreign Office has inquired as to Department's views. Foreign Office suggests awaiting conclusion peace treaty with Italy. We have been discussing subject informally with WSA. Opinion within Department leans toward extending invitation now, in line with broad general policy of promoting resumption of responsible Italian participation in international affairs and strengthening Italian political and economic status. WSA considers invitation inopportune at this time for fear of jeopardizing smooth operations UMA. Its opposition is based on (1) apprehension of French, Greek and Yugoslav resentment, (2) belief that Italian political status first be clarified as by admission Italy to United Nations and (3) doubts as to competence Italian authorities and shipping operators to function in accordance with UMA requirements. We are not fully in concurrence these objections insofar as they touch on political relations and contemplate requesting more detail as to question of competence, particularly as to steps Italy would have to take to remove this objection. However at WSA request we intend to leave issue in statu quo until Admiral Land's return particularly as WSA state they are taking steps meanwhile to improve Italian position by substituting specific charter arrangements in place of Admiral Cunningham Agreement\(^2\) as basis for control of Italian ships, by considering possibility of including provisions in charters to compensate Italy for shipping services, and by formulating with Ministry of War Transport arrangements for greater Italian participation in UMA operations in Zone III Mediterranean area.\(^3\)

\[Grew\]

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\(^1\) Sent to the Secretary of State at Babelsberg.


\(^3\) Concerning the discussion of this subject at the Berlin Conference, see ante, pp. 163, 299.
PROPOSED APPOINTMENT OF JAMES H. DOUGLAS, JR., AS CHIEF COMMISSIONER OF THE ALLIED COMMISSION

No. 1111

740.00119 Control (Italy) 7-1745 : Telegram

The Ambassador in Italy (Kirk) to the Acting Secretary of State

Rome, July 17, 1945.

2010. Most Rome papers this morning carry United Press item stating that Colonel James Henderson Douglas will arrive in Italy probably on July 24 to assume post of Chief Commissioner of Allied Commission replacing Admiral Stone (see my 1877, July 7th 1).

Kirk

1 Not printed.

No. 1112

740.00119 Control (Italy) 7-1745 : Telegram

The Acting Secretary of State to the Ambassador in Italy (Kirk)

SECRET

WASHINGTON, July 19, 1945—4 p. m.

1205. Dept has not yet received British concurrence (urtei 2010, July 17 1) in appointment of Douglas as Chief Commissioner of AC.

Grew
S[amuel] R[ieber]

1 Document No. 1111.

No. 1113

Department of the Army Files : Telegram

The Assistant Secretary of War (McCloy) to the War Department

SECRET

URGENT


VICTORY 98. To AGWar for Chanler, Civil Affairs Division for Colonel James H. Douglas from McCloy.

Prospective appointment of Col James H. Douglas is subject.

Have discussed Douglas' appointment with Alexander. 1 We have agreed with him that the announcement quoted below will be

1 See ante, p. 112. Douglas' appointment was also discussed at the 196th Meeting of the Combined Chiefs of Staff, July 19. See ante, p. 115.
made simultaneously from London and Washington at a time to be set as soon as Douglas cables me that the announcement is agreeable to him. Announcement follows:

“It was announced that Colonel James H. Douglas, former Assistant Secretary of the US Treasury[,] would leave shortly to study economic conditions in Italy, preparatory to his eventual assumption of the position of Chief Commissioner of the Allied Commission in Italy when steps are taken to alter the military character of the commission.

“Colonel Douglas will resign his commission which he now holds in the Army before assuming such a position and in the meantime will be given an opportunity to make himself familiar with conditions in Italy. The present Chief Commissioner of the council is Rear Admiral Ellery Stone who has occupied the position during the military phase and has performed most valuable services during the critical stages of the Italian recovery during and following the conduct of the military campaign in Italy. Admiral Stone will continue as the Chief Commissioner until the completion of the military phase.”

Alexander would propose that Douglas proceed shortly (probably not until close of Terminal conference so that Alexander will be there to receive him) to Italy as his guest but without taking office as Chief Commissioner at this time to become familiar with the situation on the spot and then to return to Washington and make report.

About 1st September or thereabouts Douglas would then return to Italy and take office relieving Admiral Stone at that time. I believe that this arrangement is desirable and hope Douglas will approve of it promptly.

Alexander is much pleased by Douglas’ appointment but anxious to make this arrangement in order to conform to his plans for placing commission on civilian status. Every precaution should be taken to avoid any further announcements until authorized from here.

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2 This announcement was never issued, as Douglas declined the proposed appointment.
No. 1114

740.00119 Control (Italy) 7-2045 : Telegram

The Special Assistant to the Director of European Affairs (Reber) to the Director of European Affairs (Matthews) ¹

SECRET

[WASHINGTON,] July 20 [1945.]

76. For Matthews from Reber.

Please see Douglas' telegram to McCloy of today's date.² He expresses personal regret to you and Clayton. I can not but share his views and consider the situation would have to be completely reviewed in the light of what appears to have been the decision to make no change until after the military phase has terminated. We feel that it is important that some decision regarding the future of the Commission after that date be made if possible during your present conversations. As you know UNRRA's assumption of responsibility for supply to Italy, although still undetermined, is nevertheless hoped for at an early date. We recognize this may preclude any decision now.

¹ Sent to the Secretary of State at Babelsberg over the signature of Grew.
² Not printed. Douglas declined the prospective appointment.

No. 1115

740.00119 Control (Italy) 7-2745 : Telegram

The Director of European Affairs (Matthews) to the Special Assistant to the Director of European Affairs (Reber) ¹

SECRET


VICTORY 380. To the State Department for Reber from Matthews.

I have been in close touch with McCloy, who sent another personal telegram to Douglas yesterday. I hope you will do your best to persuade Douglas to reconsider and convince him of the State Department's real interest in having him take the job. Regardless of the unfortunate handling of this question in the past, I know that Marshal Alexander is sincerely anxious for Douglas to take the post of Chief Commissioner.

¹ Sent to the Acting Secretary of State.
² Not printed.
No decision has been made with regard to any date for terminating the Allied Commission's activities and even when that does take place, it is our thought that Douglas would continue on as Chief Economic Adviser in any machinery set up for helping Italy solve her problems. There is a vitally important job to be done, and I know Douglas is the best man to do it.

No. 1116

740.0011 9 Control (Italy)/7-2645: Telegram

The Acting Secretary of State to the Ambassador in Italy (Kirk)

SECRET

WASHINGTON, July 27, 1945—8 p. m.

1256. Appointment of Douglas as Chief Commissioner (urtel 2108, July 26 \(^1\) and previous) depends upon outcome of Potsdam discussions. Douglas does not desire to proceed to Italy for consultation prior to definite appointment about September 1, as suggested by SACMed, and has requested that his nomination be withdrawn. McCloy is now discussing situation further with British officials, and you will be informed as soon as final decision is reached.\(^2\)

Grew

John D Hickerson

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\(^1\) Not printed. Cf. document No. 1111.

\(^2\) Douglas' decision not to accept the proposed appointment was final, but no message to Kirk informing him of this fact has been found.

[No. 1116]
POLAND

GOVERNMENT AND ELECTIONS; LIQUIDATION OF THE AFFAIRS OF THE GOVERNMENT-IN-EXILE

No. 1117

800t:017-945

The Acting Secretary of State to Senator Arthur H. Vandenberg

[WASHINGTON,] July 17, 1945. 1

My Dear Senator Vandenberg: I have received your letter of July 9, 1945 2 in which you raise several questions concerning the new Polish Provisional Government of National Unity, recently established in Warsaw, and the United States Government’s policy toward that Government. For greater convenience to you, I have considered individually, in the order of their appearance in your letter, your several statements and questions:

1. “There still seems to be no clear assurance that the Polish people will themselves have the final opportunity of untrammled self-determination under this new Provisional Government which is imposed upon them by Britain, Russia and the United States, within Polish boundaries similarly dictated by these external powers.”

Since the rival Polish groups in Poland and in London were unable to settle their differences, it was decided at Yalta to set up a Commission, composed of Mr. Molotov, People’s Commissar for Foreign Affairs of the U. S. S. R., Sir Archibald Clark Kerr, British Ambassador to the U. S. S. R., and Mr. W. Averell Harriman, American Ambassador to the U. S. S. R., which would be empowered to bring these groups together in order that members of the Polish provisional government then functioning in Warsaw and other Polish democratic leaders from within Poland and from abroad could consult with a view to the reorganization of the provisional government on a broader democratic basis, and the formation of a new Polish Provisional Government of National Unity with which the Governments of the United States, the United Kingdom and the Soviet Union could

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1 The file copy also bears the date of July 24, but other papers in the file indicate that the signed original of the letter was actually dated July 17, 1745 [sic].

2 The questions raised by Vandenberg are quoted verbatim in the document here printed. For the text of Vandenberg’s letter, see Department of State Bulletin, vol. xiii, p. 109.
establish diplomatic relations.³ Arrangements were finally made to bring the three groups of Poles together and they met in Moscow between June 17 and June 21 to discuss the composition of the new government. On June 21 the leaders informed the Commission established by the Crimea Conference that complete accord had been reached by them regarding the formation of a new Polish Provisional Government of National Unity. After studying the report submitted by the Polish leaders, the three Commissioners concluded that the Polish groups represented had set up a government in conformity with the Crimea decisions. The Commission's decision was accepted by the Governments of the United States, the United Kingdom and the Soviet Union.⁴

Thus, since this Government was set up by the Poles themselves, the new Government was not imposed upon the Polish people by the United States, Great Britain and the Soviet Union.

2. “I wish to inquire whether our responsibility, under the Yalta Agreement, is presumed to have been discharged by the creation of this new Provisional Government or whether the three-power obligation continues until the promised ‘free elections’ have actually occurred?”

The formation of the new Polish Provisional Government of National Unity constituted a positive step in the fulfillment of the Crimea decisions. The decisions will be further implemented when the new Government carries out its pledge to hold free and unfettered elections as soon as possible on the basis of universal suffrage and the secret ballot. In this connection the Crimea decisions also provide that the Ambassadors in Poland of the three powers shall keep their respective Governments informed about the situation in Poland. It is clear, therefore, that the creation of the new Government does not alone discharge us from the responsibilities we assumed at Yalta.

3. “When the new Provisional Government begins to operate, will the United States be permitted to send full diplomatic and consular representatives into Poland?”

Mr. Osóbka-Morawski, Prime Minister of the new Polish Provisional Government of National Unity, in his message to President Truman requesting the establishment of diplomatic relations with his Government stated:

“I have the honor in the name of the Provisional Government of National Unity to approach the Government of the United States of America with a request for the establishment of diplomatic relations

³ See document No. 1417, section vi.
⁴ Concerning the establishment of the Polish Provisional Government of National Unity and United States recognition thereof, see vol. 1, documents Nos. 483-501.
between our nations and for the exchange of representatives with the rank of Ambassador." 5

On the basis of the assurances given by the United States at the Crimea Conference, President Truman established diplomatic relations with the new Government and informed the Prime Minister that he had chosen as Ambassador Extraordinary and Plenipotentiary to Poland the Honorable Arthur Bliss Lane. Ambassador Lane and initial members of his staff are making arrangements to proceed to Warsaw as soon as possible and, thus in accordance with the Crimea decisions, the Ambassador will be in a position to keep this Government "informed about the situation in Poland."

4. "Will the American Press be permitted to send its uncensored correspondents into Poland?"

In the discussions relative to the recognition of the new Polish Provisional Government of National Unity, the United States Government made it clear that it expected American correspondents to be permitted to enter Poland in order that the American public may be informed of the situation in that area. 6 You may be assured that the United States Government will use its full influence to attain this desired end.

In addition to these conversations regarding the entry of American correspondents into Poland, the Department of State has for some time been pressing the Soviet authorities for authorization for American correspondents to enter eastern and southeastern Europe in order to be in a position to report accurately to the American public on developments there. 7 The Department will continue its efforts to obtain permission for American correspondents to operate freely in all areas.

5. "Will the United States participate, on an equality with the other powers, under their Yalta obligation, in a general supervision of these 'free elections' to make certain they are 'free' in fact as well as name?"

President Truman in his message to the Polish Prime Minister stated that "I am pleased to note that Your Excellency's Government has recognized in their entirety the decisions of the Crimea Conference on the Polish question thereby confirming the intention of Your Excellency's Government to proceed with the holding of elections in Poland in conformity with the provisions of the Crimea decisions." 8 This undertaking with regard to the holding of free

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6 For the full text of Osóbka-Morawski's message, see Department of State Bulletin, vol. xiii, p. 47.

6 For the full text of Osóbka-Morawski's message, see Department of State Bulletin, vol. xiii, p. 47.

7 See vol. i, document No. 490.

7 See vol. i, document No. 490.

8 For the full text of Truman's message, see Department of State Bulletin, vol. xiii, p. 48.
and unfettered elections was one of the vital points considered in connection with the establishment of diplomatic relations between this Government and the new Polish Provisional Government of National Unity.

As indicated above, the American Ambassador and his staff will make reports on the situation in Poland and on the basis of these reports this Government will give consideration to the question of whether supervision of elections would be advisable. If it is decided to supervise the elections, the United States Government will, of course, insist upon its right to participate on an equal basis with the other powers.

In conclusion, I wish to point out that American policy with regard to Poland continues to be based on the decisions of the Crimea Conference. Both President Roosevelt and President Truman have gone on record that the United States Government stands unequivocally for a strong, free and independent Polish state.

I welcome this opportunity to exchange views with you, since I believe it is of vital importance that the members of the Congress be afforded a clear understanding of questions relating to our foreign relations and policy. Under such conditions the State Department can best carry out the foreign policy of the United States as determined by the President and the Congress.

Sincerely yours,

JOSEPH C. GREW

No. 1118

740.00119 Potsdam/7-1745

The British Foreign Secretary (Eden) to the Secretary of State

BERLIN, [July 17, 1945.]

MY DEAR SECRETARY OF STATE, On the 5th July, at the time of our recognition of the new Polish Provisional Government of National Unity, His Majesty's Ambassador at Washington informed the United States Government that His Majesty's Government had sought from the Polish Provisional Government certain explanations and assurances as to their attitude in regard to the participation of "all democratic and anti-Nazi parties" in free elections in Poland in accordance with the Crimea decisions. In seeking such assurances, His Majesty's Government had had in mind that, of the four main parties which throughout the war had supported the Polish Government in London and their resistance movement in Poland, only two are represented

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1 See dated in a manuscript notation by Dunn.
2 The Earl of Halifax.
3 See vol. i, document No. 504.
4 See document No. 1417, section vi.
in the present Provisional Government. The settlement of the Polish question which has now been reached would be criticised in the United Kingdom if it were found that only the parties now included in the Provisional Government were to take part in the elections as a Government bloc without any effective opposition.

In reply to our enquiries, Sir A. Clark Kerr obtained from the Polish Ambassador in Moscow's assurances in writing that the Government coalition "leaves freedom of choice to the former elements of the Democrat or Christian Labour Parties which are democratic and anti-Nazi to take part in the elections or in any other way". The Polish Ambassador's communication stated, however, that the National Democratic Party no longer existed in its pre-war form. In an oral communication to Sir A. Clark Kerr, the Polish Ambassador stated that the Democratic and Christian Labour Parties would "have complete freedom of action in regard to the elections and in all other respects". The Polish Ambassador also indicated that political leaders who wished to start or revive other democratic parties would be free to do so and that such parties would participate in the elections either independently or in blocs as they saw fit.

M. Popiel, the leader of the Christian Labour Party, recently left London for Warsaw to discuss co-operation with the new Government at their invitation; but the Government have made, so far as we know, no move toward any National Democrats. In the circumstances we felt bound to inform the United States and Soviet Governments that we were not satisfied with the assurances which we had so far received on this question and reserved the right to raise it at the present Conference as affecting the implication of the Crimea decisions. The Polish Provisional Government were informed that we had made this communication to the United States and Soviet Governments.

I do now think that it would in fact be desirable to discuss this matter in detail at the present Conference. It would be arguable that the question is one which should properly be pursued in direct discussion with the Polish Provisional Government, and it is perhaps unlikely that we should find common ground with the Russians such as would enable effective international action to be taken at the time of the elections. I therefore consider that we should aim rather at securing the insertion in the Communiqué to be issued at the end of this Conference of a reference to the Polish question. This might take the form of a statement on the following lines:

"The Three Powers have taken note with pleasure of the agreement reached among representative Poles from Poland and abroad which has made possible the establishment in accordance with the Crimea

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5 Zygmunt Modzelewski.
decisions of a Polish Provisional Government of National Unity recognised by the Three Powers and pledged to the holding of free and unfettered elections as soon as possible on the basis of universal suffrage and secret ballot in which all democratic and anti-Nazi parties shall have the right to take part and to put forward candidates. It is the confident hope of the Three Powers that the elections will be so organised as to enable all sections of Polish opinion to express their views freely and thus play their full part in the restoration of the country's political life. The Three Powers will further expect that representatives of the Allied Press shall enjoy full freedom to report to the world upon developments in Poland before and during the elections. Finally, they are anxious to assist the Polish Provisional Government in facilitating the orderly return to Poland as soon as practicable of all Poles abroad who wish to go; the Polish Provisional Government could itself greatly assist in this task by giving specific undertakings that those Poles who return will do so with full assurance of their personal security, freedom and livelihood."

A statement on these lines seems to us desirable. It would help His Majesty's Government in securing the full support of Parliament in the Polish statement and also in dealing with the very difficult practical problems arising out of the presence of some 250,000 Poles on British soil and in the armed forces under British command.

If you agree that some statement of this sort would be useful I would propose to take an appropriate opportunity of raising it at a meeting of Foreign Ministers and I would hope that I might then count on your support.

Yours sincerely

ANTHONY EDEN

No. 1119

860c.007-1845: Telegram

The Ambassador in Italy (Kirk) to the Acting Secretary of State

SECRET

CASCERTA, July 18, 1945—10 a.m.

2979. War Office informed AFHQ that Daily Telegraph reported extracts from an apparently inflammatory speech on July 11 by General Anders and the Observer of July 15 reported rebuke issued to Anders by SAC. AFHQ was requested to report as War Office "most anxious" to know details.

AFHQ replied that it has no knowledge of any such speech and cited cordial visit Anders to SAC on July 13. No rebuke at this or any other time. Anders issued order of the day on July 6 which not considered inflammatory. Message emphasizes "admirable" attitude Anders has taken under new circumstances. He is now touring

1 Field Marshal Sir Harold Alexander.
2 See document No. 1123.

[No. 1119]
Italy addressing all available men stating position in Poland as he knows it, but offers every facility to return with personal guarantee of no victimisation of those who choose to go. War Office further informed that at Anders’ request AFHQ arranging for segregation and return of those who desire to go to Poland.

Kirk

No. 1120

Truman Papers

Proposal by the Soviet Delegation

[Translation]

Draft Submitted by the Soviet Delegation July 18

The Statement of the Heads of the Three Governments on the Polish Question

In view of the setting up on the basis of the decisions of the Crimea Conference of the Provisional Polish Government of National Unity and in view of the establishment by the United States of America and by Great Britain of diplomatic relations with Poland, which previously already existed between Poland and the Soviet Union, we agreed that the Governments of Great Britain and the United States of America as well as the Governments of other United Nations shall sever all relations with the government of Arciszewski. We deem it imperative to render to the Provisional Polish Government of National Unity the necessary assistance in the immediate transmission to it of all stock, assets and all other property belonging to Poland, which still is at the disposal of the government of Arciszewski and of its organs, in whatever form this property may be and no matter where or at whose disposal this property may prove to be at the present moment. The transfer of this property to any institution of any kind or to private persons is forbidden.

We also found it necessary that the Polish armed forces, including the navy and the merchant marine, now subordinated to the government of Arciszewski, should be subordinated to the Provisional Polish Government of National Unity, which [will?] determine the further measures to be taken in respect of these armed forces, men of war and merchant ships.

1 Attachment 2 to the minutes of the Second Plenary Meeting, July 18. See ante, p. 91. At the end of this document is the following typed notation: “Translated from Russian by (S. Golunsky)”.
No. 1121

Proposal by the British Delegation

[BABELSBERG, July 19, 1945.]

[DRAFT OF A STATEMENT ON POLAND]

(1) We have taken note with pleasure of the agreement reached among representative Poles from Poland and abroad which has made possible the formation, in accordance with the decisions reached at the Crimea Conference, of a Polish Provisional Government of National Unity recognised by the Three Powers. The establishment by the British and United States Governments of diplomatic relations with the Polish Provisional Government has resulted in the withdrawal of their recognition from the former Polish Government in London, which no longer exists.

(2) The British and United States Governments express their willingness to discuss with properly accredited representatives of the Polish Provisional Government the orderly transfer to it of Polish State property, including the Polish Embassies in London and Washington, in regard to which measures of conservation have been taken by the two Governments. They assume that such discussions would embrace also the questions of the acknowledgement by the Polish Provisional Government of liability for the credits advanced to the late Polish Government and other outstanding debts, and the relation of such advances to any assets of the Polish State available abroad.

(3) The Three Powers are anxious to assist the Polish Provisional Government in facilitating the return to Poland as soon as practicable of all Poles abroad who wish to go, including members of the Polish Armed Forces and Merchant Marine. It is their desire that as many of these Poles as possible should return home, and they consider that the Polish Provisional Government could itself greatly assist in this regard by giving specific undertakings that those Poles who return will do so with full assurance of their personal security, freedom and livelihood.

(4) The Three Powers note that the Polish Provisional Government is pledged to the holding of free and unfettered elections as soon as possible on the basis of universal suffrage and secret ballot, in which all democratic and anti-Nazi parties shall have the right to take part and to put forward candidates. It is the confident hope of the Three Powers that the elections will be so organised as to enable all sections

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1 Submitted at the Second Meeting of the Foreign Ministers, July 19. See ante, p. 103. An amended text submitted later by the British Delegation (see ante, pp. 187-188) has not been found. For Soviet proposals on this subject submitted to the Subcommittee on Poland, see documents Nos. 1421 and 1422, post.
of Polish opinion to express their views freely, and thus play their full part in the restoration of the country's political life. The Three Powers will further expect that representatives of the Allied Press shall enjoy full freedom to report to the world upon developments in Poland before and during the elections.

**No. 1122**

8660.00/7-1945: Telegram

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

SECRET

London, July 19, 1945—5 p. m.

7269. Sargent tells us that Hankey reported from Warsaw that he has had conversations with Bierut and Mikołajczyk. Bierut in the course of a short conversation stressed desire of Polish Govt to establish close political and economic relations with the West. Mikołajczyk, Hankey found to be in an optimistic frame of mind.

Sent Dept as 7269; rptd Moscow as 258; rptd Paris for Lane as 462.

Mikołajczyk told Hankey that he has been able to get around freely, re-establishing contact with former Peasant Party associates. His visit to Cracow was particularly encouraging. After some further talks with Peasant Party leaders the party’s program would be formulated. No difficulty in making it public was anticipated by Mikołajczyk.

Popiel, according to Mikołajczyk, has also been able to move about and get in touch with Christian Labor Party people. That party’s program would also be drafted soon and it was planned to make it public too.

All political parties and groups, Mikołajczyk thinks, will be permitted to participate in elections with the exception, of course, of the pro-German party formerly active chiefly in Silesia and a small underground group which had cooperated with the Germans during the German occupation.

In the same message reporting his talks with Bierut and Mikołajczyk, Hankey emphasized the extent to which Warsaw had been destroyed, the heaps of rubble still very much in evidence and the shortage of food and goods generally. With reference to this, Sargent said that Foreign Office was making plans to have a plane go from here twice weekly to Warsaw. This would be used for transporting essential food and other supplies for the Embassy staff and it was hoped for transporting English journalists to Warsaw. Foreign Office was very anxious, Sargent continued, to get some English

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1 The gist of this message was included in telegram No. 80 of July 20 from Grew to Byrnes (file No. 800.00 Summaries/7-2045).
journalists to Warsaw as quickly as possible. Arrangements for a British plane on a regular service to land in Poland could, Sargent thought, be made without difficulty. The British Air Ministry, however, was slow in releasing a plane for this purpose, claiming that every available plane was needed for the Far East.

WINANT

No. 1123

890c.20/7-2045

The Deputy Political Adviser at Allied Force Headquarters (Offie) to the Secretary of State

TOP SECRET

ALLIED FORCE HEADQUARTERS, July 20, 1945.

No. 1247

Subject: Transmitting Minutes of the Meeting between Field Marshal Alexander and Lieutenant General Anders.

Sir: With reference to my telegram No. 2979, July 18, 10 a.m.,¹ I have the honor to transmit herewith a copy of the minutes of a meeting between Field Marshal Alexander and Lieutenant General Anders, Commander of the Second Polish Corps, Italy, held at Caserta on July 13, 1945. The Department will note that General Anders stated that he would do everything possible to expedite the repatriation to Poland of those members of his army who desired to be repatriated.

It should also be observed that General Anders reassured to the Supreme Allied Commander that he would maintain the morale and discipline of Polish troops in Italy.

Respectfully yours,

C. OFFIE

[Enclosure—Extracts]

TOP SECRET

MINUTES OF THE CONVERSATION BETWEEN SAC AND LT-GEN. ANDERS, COMMANDER 2 POLISH CORPS, 13 JULY 1945, IN THE OFFICE OF THE SUPREME ALLIED COMMANDER

Present: Field Marshal Sir Harold R. L. G. Alexander, SAC
Lt-Gen. W. Anders, Commander 2 Polish Corps
Lt-Gen. W. D. Morgan, Chief of Staff
Brig. E. H. C. Frith, Comd, 26 BLU.
Col. J. L. Tappin, Chief, Liaison Section
Lt-Col. J. T. Rankin, Liaison Section
Capt. Lomnicky, Interpreter to General Anders

¹ Document No. 1119.

[No. 1123]
The following Minutes were prepared by Brigadier E. H. C. Frith, Comd, 26 BLU.

2. General Anders raised the question of those Poles who wished to return to Poland, and outlined his policy of freedom of choice, his views on the handling of them once he had demobilized them, and pointed out that once he had passed them to British or Allied repatriation camps, he did not wish to interfere with them and could not be responsible for their further fortunes. It was pointed out that this whole question is a subject of staff study at AFHQ.

S. A. C. agreed with Gen Anders' policy, and said that he wished it to be carefully gone into—especially the route by which they would be sent to Poland.

Gen. Anders pointed out that he wished to avoid giving the Soviet or the Warsaw Govt any handle whereby they could allege that he was using force or in any way interfering with their freedom of choice, and hence his earnest desire that repatriation camps should be British run.

He further said that, for this reason as well as to give evidence of good faith, he hoped that arrangements would be made early so that he could evacuate to British camps in parties as they came forward those Poles wishing to return to Poland.

The S. A. C. asked what the total numbers were likely to be as it was a matter of importance in planning that this should be known.

Gen Anders said that he could give no figures now but he would, he considered, be able to give this information in, at the most two weeks. He also pointed out that, even after that, there might be further applicants.

The S. A. C. asked, in this connection, what the strength of the Polish Corps was, and Gen Anders replied that in Italy the strength was approx 110,000.

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No. 1124

S 000.83/7-2045 : Telegram

The Acting Secretary of State to the Assistant Secretary of State (Clayton) ¹

SECRET

[WASHINGTON,] July 20 [1945.]

73. For attention Clayton.

WSA have brought to our attention problem arising out of Polish seamen's strike regarding which they are communicating to Admiral

¹ Sent to the Secretary of State at Babelsberg.
Land at Potsdam. Crews of merchant vessels controlled by London Polish authorities and chartered or allocated to British Ministry of War Transport struck last week in protest against recognition of Warsaw-Polish Government. Ships affected include five small American-owned coasting steamers transferred to Polish flag by regular procedure under Lend-Lease and operating in British coasting service. So far as known strike has not extended to the single Liberty ship similarly transferred to Polish operation and now loading on West Coast South America.

WSA state idleness of five Lend-Lease vessels on which crews have struck can not be justified for such a cause and only practical method to deal with the situation is to withdraw the ships under charter option requiring thirty days notice or more promptly on some other basis. However, they wish to avoid any action which might prove prejudicial in present Polish situation or which might prejudice atmosphere or otherwise prove embarrassing in connection with Potsdam conference.

Our view is that political character of strike voids essential purpose of allocation these ships to Polish operation, which was to provide crews for them. This seamen's strike, however justified from viewpoint of the seamen themselves, constitutes interference with shipping and foreign policy operations of this Government and therefore cannot be tolerated; moreover, strike indicates prospect of continuing trouble with these seamen if existing arrangements continue. Therefore we believe ships should be withdrawn from Polish allocation by promptest legitimate procedure unless such action at this time would in any way embarrass proceedings of Potsdam conference. It is believed British would provide substitute crews if the vessels are allocated to them in view of importance to them of coasting services. If new Polish Government subsequently wishes to take over and operate American-owned ships under similar charter arrangements, this question can be discussed on the basis of then existing circumstances. Of course transfer of these ships to British or other allocation would likely make it more difficult to find other ships for later allocation to new Polish Government.

Possibility has been suggested that withdrawal of these ships from Polish operation might provide new Polish authorities with excuse for withdrawing from UMA and that Polish withdrawal might be followed by others. Since however withdrawal of these ships would reduce tonnage under Polish flag and in no way improve Polish ability to provide shipping space for Polish import requirements, disadvantage to Poland of withdrawal from UMA would not be lessened by trans-

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* See document No. 1125.
ferring these struck ships to other operation. In light of information available to us therefore we do not believe possible repercussions UMA should be considered a significant factor as against greater objection to any course of catering to seamen who have struck for political reasons. We understand strike also affects about twenty Polish-owned ships chartered to British Ministry of War Transport but that presents problem for British to solve independently of action taken toward our ships allocated to Polish operation.

We presume this question will be subject of direct discussion with Admiral Land Potsdam, but would appreciate your instructions or comment.

[GREW]

No. 1125

860c.357/2945: Telegram

The Acting War Shipping Administrator (Conway) to the Assistant to the War Shipping Administrator (Morse) ¹

SECRET [WASHINGTON,] July 20 [1945.]

74. To Admiral Land for Morse from Conway. SD 4486.

In view of the Polish crew strike, Helmbold and I believe we should immediately withdraw N3's and re-allocate. State Department also of this opinion but believe with us that no action should be taken pending clearance from you since it may embarrass your current negotiations or U. M. A. questions. Liberty crew so far has not joined strike. At meeting in Shipping Division Office State Department Polish desk advised it would be an advantage to take action now on vessels as this would be a propitious time to take a necessary if unpleasant step. However Saugstad fully advising Clayton on situation.² I have signed the following letter and dispatched it to the State Department today:

"The State Department has been informed of the arrangements under which the War Shipping Administration has allocated six U. S. owned ships to the Polish Government on a 'Bareboat out, time charter back' basis. Since the date on which the ships were delivered there has been a change in the recognized Polish Government.

Although we understand that the Polish Government now recognized is apparently the legal successor to the prior government, it has occurred to us that there may be reasons why it would not be desirable to continue the 'Bareboat out, time charter back' arrangements with the new government. A strike on the part of the crews

¹ Sent to the Secretary of State at Babelsberg over the signature of Grew.
² See document No. 1124.
of five of the six ships involved has brought this point to an immediate head which will require action on our part. We are informed by a cable from London today 3 that the crews have struck in protest against the recognition of the Warsaw-Polish Government.

From an operating point of view, we cannot justify the idleness of these ships for such a cause; and the only practical method by which we could deal with the present situation is to withdraw the ships from their present allocation either by taking advantage of our charter option to cancel the present arrangements on thirty days notice or otherwise. Since this might be interpreted as an uncordial act towards a newly formed friendly government we would appreciate your advices before taking any further action.

In the event that the ship delay problem is settled before we have been able to take any action along the above lines, it would appear to us, from an operating point of view, that the present arrangements could be continued and the ships thus kept moving without interruption until such time as a definite policy be established. We believe this possible even though, because of the many uncertainties involved, we have felt it necessary for the present to stop payment of charter hire to protect our interest.

The present arrangement was concluded with the then duly authorized Polish authorities, and we have worked with their duly appointed agency, the Gdynia-America Line, which is ninety eight per cent owned by the Polish Government. Pending official word from Warsaw, we feel there is some basis for continuance of the present arrangements. Because of the many factors involved and because of the maturing obligation to pay charter hire, we would also like your advice on this point.

In view of the operating problem involved, your immediate advice is urgently requested.”

We have received following cable from Devlin: “Wsa 3714-W 2084 reference our Wsa 3590-W 2038 3 on five Polish coasters. Situation unchanged as regards Kowell[,] Kolno and Kielce. Kutno crew remains with exception of master and vessel continues in Liverpool-Belfast trade. Kroso anchored Southend with crew and cargo on board[;] crew will leave when vessel ties up at berth. London berthing situation tight account labour and British hesitate to berth vessel as she will be immobilized immediately she ties up. Prospects of settlement extremely uncertain. Unless otherwise advised by you we will take no action as problem apparently one of high level foreign relations.” To which we have replied as follows: “Your present method for handling situation approved. Settlement of dispute not desirable until we are prepared to act under necessary diplomatic clearances. Necessary that we be kept fully advised of any possibility that situation may be changed. We are handling with State Department here and with Morse in Potsdam.”

3 Not printed.

[No. 1125]
The War Shipping Administrator (Land) and the Assistant to the War Shipping Administrator (Morse) to the Acting War Shipping Administrator (Conway)

CONFIDENTIAL


PRIORITY

VICTORY 170. From Admiral Land and Morse, Babelsberg, Germany to Conway, War Shipping Administration.

Reference your number 74 of July 20.¹

We have dispatched the following message to Monroe, London: “Suggest you confer with Keenlyside regarding arrangements made by Ministry [of War Transport] whereby three Polish Troopers were placed on bare boat charter basis and same striking Polish crew signed on under British articles. Then you ascertain if Polish crews on 5 N 3’s would be willing to sign on under U. S. articles on similar basis. This might require some waiver of U. S. laws which in view of emergency requirements for vessels should be obtained in Washington. Such an arrangement would be temporary pending clarification of Polish situation when vessels could go back under old charter. Please advise us here also Conway. We are repeating this message to Conway.”

Upon receipt of favorable advices from Monroe please arrange necessary waivers and also write an explanatory letter to head of Gdynia—American Line, New York, advising action being taken because of emergency requirements for vessels and telling them that this is a temporary arrangement pending clarification of situation when vessels will go back under old charter. Advise State Department of contemplated action.

Have discussed matter with Mr. Clayton who concurs. Advise State Department.

¹ Document No. 1125.
No. 1127

POLAND

890c.58/7-2143 : Telegram

The Assistant Secretary of State (Clayton) to the Acting Secretary of State 1

SECRET

BABELSBERG, July 21, 1945.

VICTORY—185. From Clayton.

Admiral Land, Mr. Dunn, and I have discussed Polish seamen's strike 2 (reutels Nos. 73 and 74 3) and decided that WSA should take action parallel to British; that is, haul down Polish flag, run up United States flag, offer to sign on same seamen, and indicate that the action is temporary for the emergency situation.

1 Sent over the signature of Byrnes.
2 See ante, p. 163.
3 Documents Nos. 1124 and 1125, respectively.

No. 1128

890c.01/7-245 : Telegram

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

SECRET

WASHINGTON, July 21, 1945—1 p. m.

6019. Department desires more information re agreement concluded between British Treasury and former Polish Government at London assigning to former control of latter's assets, (urteil 6900 July 9 1). Department is particularly interested in assets covered including any assets outside Britain. Please request FonOff permission to reexamine document and annex.

For your information, Treasury Department has replaced licenses previously granted Polish official agencies in United States permitting expenditures without individual review with licenses which require advance notification to Treasury of proposed transactions of these agencies. Payments to meet expenses incurred by Polish official agencies in United States will for time being be approved only after appropriate review.

Grew

Jacques J R[einstein]

1 Document No. 507, printed in vol. i.

[No. 1128]
Draft Statement on the Polish Question, as Submitted by Drafting Committee to Meeting of Foreign Ministers on 21st July

Note:—The Soviet Members of the drafting Committee would omit passages in italics.

The United Kingdom members would omit passages in square brackets.

1. We have taken note with pleasure of the agreement reached among representative Poles from Poland and abroad which has made possible the formation, in accordance with the decisions reached at the Crimea Conference, of a Polish Provisional Government of National Unity recognised by the Three Powers. The establishment by the British and United States Governments of diplomatic relations with the Polish Provisional Government has resulted in the withdrawal of their recognition from the former Polish Government in London, which no longer exists.

2. The British and United States Governments have already taken measures to prevent the alienation to third parties of property [including merchant vessels] belonging to the Polish State located on their territory and under their control, whatever the form of this property may be. They are ready to take immediate measures to arrange for the transfer in accordance with the requirements of the law of such property to the Polish Provisional Government. To this end they are prepared to discuss with properly accredited representatives of the Polish Provisional Government the manner and time of such transfer and the question of the liability of the Polish Provisional Government for the credits advanced to the late Polish Government and other outstanding debts and the relation of such advances to any assets of the Polish State available abroad. All proper facilities will be given to the Polish Provisional Government for the exercise of the ordinary legal remedies for the recovery of any property belonging to the Polish State which may have been wrongfully alienated.

3. The Three Powers are anxious to assist the Polish Provisional Government in facilitating the return to Poland as soon as practicable of all Poles abroad who wish to go, including members of the Polish armed forces and merchant marine. It is their desire that as
many of these Poles as possible should return home and they consider that the Polish Provisional Government could itself greatly assist in this regard by giving suitable assurances. [They expect] that those Poles who return home shall be accorded personal and property rights on the same basis as all Polish citizens.

4. [The British Government will at the same time take measures in order to prevent on British territory and on territories controlled by British authorities arrests of Poles who wish to return to Poland].

5. The Three Powers note that the Polish Provisional Government is pledged to the holding of free and unfettered elections as soon as possible on the basis of universal suffrage and secret ballot in which all democratic and anti-Nazi parties shall have the right to take part and to put forward candidates. It is the confident hope of the Three Powers that the elections will be conducted in such a way as to make it clear to the world that all democratic and anti-Nazi sections of Polish opinion have been able to express their views freely, and thus to play their full part in the restoration of the country's political life. The Three Powers will further expect that representatives of the Allied Press shall enjoy full freedom to report to the world upon developments in Poland before and during the elections.

No. 1130

Truman Papers

Text Considered by the Heads of Government

BERLIN, July 21, 1945.

STATEMENT ON THE POLISH QUESTION

We have taken note with pleasure of the agreement reached among representative Poles from Poland and abroad which has made possible the formation, in accordance with the decisions reached at the Crimea Conference, of a Polish Provisional Government of National Unity recognized by the Three Powers. The establishment by the British and United States Governments of diplomatic relations with the Polish Provisional Government has resulted in the withdrawal of their recognition from the former Polish Government in London, which no longer exists.

[The British and United States Governments have taken measures to protect the interest of the Polish Provisional Government as the recognized government of the Polish State in the property belonging to the Polish State located on their territory and under their control,

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1 Annex 2 to the minutes of the Fifth Plenary Meeting, July 21. See ante, p. 204.

[No. 1130]
whatever the form of this property may be. They have further taken measures to prevent alienation to third parties of such property.\[ 2\]

The British and United States Governments have already taken measures to prevent alienation to third parties of property belonging to the Polish state located on their territory and under their control, whatever the form of this property may be. They are ready to take immediate measures to arrange for the transfer, in accordance with the requirements of the law, of such property to the Polish Provisional Government. To this end they are prepared to discuss with properly accredited representatives of the Polish Provisional Government the manner and time of such transfer (and the question of the liability of the Polish Provisional Government for the credits advanced to the late Polish Government and other outstanding debts and the relationship of such advances to any assets of the Polish state available abroad). All proper facilities will be given to the Polish Provisional Government for the exercise of the ordinary legal remedies for the recovery of any property of the Polish state which may have been wrongfully alienated.

The three powers are anxious to assist the Polish Provisional Government in facilitating the return to Poland as soon as practicable of all Poles abroad who wish to go, including members of the Polish Armed Forces and the Merchant Marine.

British version:

(It is their desire that as many of these Poles as possible should return home and they expect that the Polish Provisional Government will give suitable assurances that those Poles who return home shall be accorded personal rights and rights on property on the same basis as all Polish citizens).

Soviet version:

(They expect that those Poles who return home shall be accorded personal rights and rights on property on the same basis as all Polish citizens).

The three powers note that the Polish Provisional Government is pledged to the holding of free and unfettered elections as soon as possible on the basis of universal suffrage and secret ballot in which all democratic and anti-Nazi parties shall have the right to take part and to put forward candidates. (It is the confident hope of the three powers that the elections will be conducted in such a way as to make it clear to the world that all democratic and anti-Nazi sections of Polish opinion have been able to express their views freely and thus to play their full part in the restoration of the country's political life).

\[ 2\] Brackets appear in the original.
(The three powers will further expect that representatives of the Allied press shall enjoy full freedom to report to the world upon the developments in Poland before and during the elections).

No. 1131

Text Approved by the Heads of Government

TOP SECRET

[BABELSBERG,] July 21, 1945.

STATEMENT ON THE POLISH QUESTION

We have taken note with pleasure of the agreement reached among representative Poles from Poland and abroad which has made possible the formation, in accordance with the decisions reached at the Crimea Conference, of a Polish Provisional Government of National Unity recognized by the Three Powers. The establishment by the British and United States Governments of diplomatic relations with the Polish Provisional Government has resulted in the withdrawal of their recognition from the former Polish Government in London, which no longer exists.

The British and United States Governments have taken measures to protect the interest of the Polish Provisional Government as the recognized government of the Polish State in the property belonging to the Polish State located on their territory and under their control, whatever the form of this property may be. They have further taken measures to prevent alienation to third parties of such property. All proper facilities will be given to the Polish Provisional Government for the exercise of the ordinary legal remedies for the recovery of any property of the Polish State which may have been wrongfully alienated.

The three powers are anxious to assist the Polish Provisional Government in facilitating the return to Poland as soon as practicable of all Poles abroad who wish to go, including members of the Polish Armed Forces and the Merchant Marine. They expect that those Poles who return home shall be accorded personal rights and rights on property on the same basis as all Polish citizens.

The three powers note that the Polish Provisional Government in conformity with the Crimea decision has agreed to the holding of free and unfettered elections as soon as possible on the basis of universal suffrage and secret ballot in which all democratic and anti-

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1 This text came out of the discussion at the Fifth Plenary Meeting, July 21. See ante, pp. 204–207. The July 21 status report (ante, p. 222) indicates that this paper had received final approval, but a few changes were made in it later in the course of the Conference. Cf. document No. 1388, section IX (vii) A.
Nazi parties shall have the right to take part and to put forward candidates, and that representatives of the Allied powers [press] shall enjoy full freedom to report to the world upon the developments in Poland before and during the elections.

No. 1132

Department of the Army Files: Telegram

The Representative on the London Branch of the United Maritime Executive Board (Carnwath) and the Regional Director for the Combined United Kingdom and Continental Areas, War Shipping Administration (Monroe) to the War Shipping Administrator (Land) and the Assistant to the War Shipping Administrator (Morse) ¹

RESTRICTED

[LONDON,] 21 July 1945.

To Potsdam for Admiral Land and Mr. Morse WSA from Carnwath and Monroe WSA signed Eisenhower ref nr UK 46112. WSA 3844–PO2.

1. There follows in para 2 text of note addressed by Brunk to Burch. Please advise me through Army WSA position. I assume you will discuss this matter with Weston.

2. “As our two governments have now withdrawn recognition of the former Polish Government in London and have recognized the Warsaw Government, I have given instructions, with which I hope you will concur, that UMA papers and minutes should cease to be sent to the officials of the former Polish Government in London. I have also asked the chairmen of committees not to invite them to meetings nor to communicate with them further on UMA matters. We do not yet know what arrangements the new Polish Government will make for representation on UMEB.

“I am quite uncertain which Polish Government is recognized by any of the other contracting governments. Strictly perhaps our attitude should be agreed with them, but I should be inclined not to raise this point.

["We should be glad to know if WSA agree with what we have done and are taking similar action in Washington.")

¹ Sent by the United Kingdom Base Section of Eisenhower's command via Army channels.
The Chargé in the Soviet Union (Kennan) to the United States Delegation

UNCLASSIFIED

PRIORITY

From Kennan.

Have just rec'd from Polish Chargé's note in English dated July 21st reading as follows:

"I am instructed to ask you to be as kind as to transmit to the Govt of the USA the text of my Govt's note of July 20, 1945, which simultaneously is forwarded to the Govt of the USSR, U. K. and the French Republic."

Text of note of July 20 also written in English as enclosed in Chargé's letter reads as follows:

"The Polish Provisional Govt of Natl Unity, desiring to enable millions of Poles in Germany to return home as soon as possible and justly attempting to regain Polish assets which during the occupation period were illegally removed from Poland by the Germans, have the honour to reiterate the suggestion expressed by the Provisional Govt in their declaration of this June 15th. The Polish Provisional Govt of Natl Unity suggest to set up a Polish Military Mission on the Control Council, which is exercising supreme authority in the territory of Germany.

Article 5 [8] of the agreement on the control apparatus in Germany signed by the Govts of the USA, the USSR and the UK as well

1 Sent by the United States Military Mission, Moscow, via Army channels. Number garbled.
2 Wladyshlaw Matwin.
3 The following summary of this declaration was sent to the American Embassy, Moscow, by the Department of State in telegram No. 1346 of June 19, 1945 (file No. 860c.01/6-1945): "Since the Control Council for Germany has been established, it is now possible to settle problems such as repatriation of Polish citizens now in areas occupied by the Allies and the identification of Polish property unlawfully taken by Germans. For this, it is necessary that representatives of the Polish Provisional Government be present. These should enjoy complete freedom of movement, be enabled to deal with technical aspects, and should be engaged in finding out scattered Polish property. Procedure suggested is to send Military Mission of Polish Provisional Government to the Control Council as anticipated in Article 5 of the agreement on Control Machinery for Germany. Problem of Poland's participation in Reparations Committee also brought forward as vital and burning one for the Polish nation and directly bound with problem of reconstruction. It is also difficult to imagine effective working of Inter-Allied Commission for investigation of German crimes without participation of representatives of Government of Poland on territory of which Nazis committed most of their crimes. In putting forth these problems Polish Provisional Government is firmly convinced that a positive solution will be important contribution to work of reconstruction of countries experiencing German aggression and will assist in effecting permanent and friendly collaboration of Allied nations."
as by the Provisional Govt of the French Republic 4 provides for accrediting such a mission on the Control Council.

Simultaneously the Polish Provisional Govt of Natl Unity feel it necessary to reiterate their suggestion regarding Poland's participation in the activities of the Reparations Commission, which appears to be the more necessary when Poland's damages are taken into consideration as well as the fact that she is a country, which comparatively suffered most as result of the German invasion and occupation.

While approaching the four Allied Powers with these suggestions the Polish Govt of Natl Unity express their deep conviction that the settlement of the above mentioned questions will be welcomed with deep satisfaction by the Polish public opinion and will strengthen ties of friendship and collaboration between Poland and her great allies.5

4 i. e., the agreement on control machinery in Germany, signed at London, November 14, 1944, as amended by a further agreement signed at London, May 1, 1945. For texts, see Treaties and Other International Acts Series No. 3070: United States Treaties and Other International Agreements, vol. 5, pt. 2, p. 2062. Text of the agreement of November 14, 1944, also in Foreign Relations, The Conferences at Malta and Yalta, 1945, p. 124.

5 No reply was made to this communication until after the close of the Berlin Conference.

No. 1134

Department of the Army Files: Telegram

The War Shipping Administrator (Land) and the Assistant to the War Shipping Administrator (Morse) to the Regional Director for the Combined United Kingdom and Continental Areas, War Shipping Administration (Monroe) and the Representative on the London Branch of the United Maritime Executive Board (Carnwath)

CONFIDENTIAL

BABELSBURG, 23 July 1945.
PRIORITY


Have discussed matter with State Department here and Weston. UMA papers should not be sent to officials of former Polish Government and they should not be invited to attend meetings or communicated with further on UMA matters.

1 Document No. 1132.
The Ambassador in the United Kingdom (Winant) to the Acting Secretary of State

SECRET

LONDON, July 23, 1945—8 p. m.

7421. We were given following information at FonOff (Foreign Office) today by official directly concerned Polish affairs.

1. Agreement between British Treasury and former Polish Govt covers only leases on UK property. We were shown annex today which enumerates approximately 50 leases. (Re Department's telegram 6019, July 21)

2. We were also shown draft of circular instruction which FonOff is sending out to British missions abroad re liquidation Polish diplomatic and consular establishments. These establishments will be assimilated into British missions as sections charged with administering relief and other social benefits such as disbursing funds for maintenance refugee camps and children's hostels. Former Polish Govt submitted to FonOff list of diplomatic and consular offices broken down into three categories depending on character of work transacted. As re category A offices former Polish Govt recommended that all personnel be retained since they perform relief work almost exclusively. (Repeated to Moscow as 261) For category B offices former Polish Govt recommended reduction 50% in staffs. Category C comprises for most part diplomatic missions and former Polish Govt recommended retention of from 1 to 3 persons per office to serve as caretakers. FonOff circular asks for comment from British missions on proposed liquidation scheme for Polish Foreign Service and warns British missions not to permit Polish Foreign Service establishments after absorption to act in diplomatic or consular capacities. Circular also warns British missions not to allow officials Polish Govt Warsaw to assume control of or participate in affairs of diplomatic or consular establishments or [off] former London Polish Govt until FonOff has negotiated with Warsaw Govt agreement covering final disposition or liquidation of such establishments.

3. The list of Polish diplomatic and consular offices given to FonOff did not cover such offices in US, Latin America or France. Diplo-

1 The gist of this message was included in telegram No. 126 of July 25 from Grew to Byrnes (file No. 800.00 Summaries/7-2545).

2 Document No. 1128.
matic and consular offices former London Polish Govt in US and Latin America according to FonOff official appear to be maintained by dollar remittances and French offices by French subsidies. Official stated in this connection that FonOff would like to have any information available re finances of Polish diplomatic and consular offices in US and Latin America.

4. British Embassy Warsaw has reported to FonOff that Communists are pressing for early elections in Poland but that Mikołajczyk is resisting in hope of achieving postponement until Oct or later when Red Army will presumably have withdrawn from Poland.

5. There have been some encouraging indications that larger numbers of Poles than was previously thought likely may return to Poland. British Govt does not wish to have direct question on return put to Polish military now serving abroad since it feels that replies at moment might be largely in negative and might prejudice future positions of many individuals. Emissaries from Polish Govt Warsaw have been propagandizing civilian and military officials in western Europe quite effectively however and a number have thus far voluntarily indicated desire to return Poland. British military authorities are trying to segregate Polish troops which indicate willingness to return. No estimates are available thus far as to numbers involved.

WINANT

No. 1136

860c.01/8-945

Memorandum by the Polish Deputy Prime Minister (Mikołajczyk)¹

[Translation]

SECRET [BABELSBERG,] July 24, 1945.

Poland is to be strong, free, independent and sovereign. Poland is to live in alliance with Soviet Russia, with Great Britain and France, and in friendship with the United States and the Slav countries.

This is possible on the following conditions:

1. The Soviet forces and the NKVD should quit the territories accorded to, and delimited for, the Polish State.
2. The Polish Army is to become a national army.
3. The so-called Security should cease to terrorize the community.
4. The emigrés and Polish troops should return swiftly, and elections should be held, before which the western frontiers should be settled.
5. There should be freedom of the Press and freedom of concourse and the genuine organization of the five Parties in Poland. The

¹ Handed to Harriman at a meeting attended also by Dunn and Matthews. See ante, p. 395.
P. P. R. (translators note—the Polish Labor Party or really, the
Communist Party) does enjoy these freedoms, the P. P. S. (Polish
Socialist Party) only enjoys them in part, whilst the Democratic
party is at this moment more or less an extension of the P. P. R.
The Peasant’s Party, thanks to which the Provisional Government
of National Unity has been formed and the Polish Government
recognised, does not have freedom of action, nor does the Labor
Party.
(6) Personal freedom and the right of property should be safeg-
guarded within the framework of the law.
(7) The elections should take place at the latest in December or
February on the basis of the electoral laws resulting from the 1921
constitution. There must be found a method of ensuring the fairness
of the elections. Fair elections are impossible as long as Soviet
troops and the NKVD remain in Poland. Elections on the basis of
the 1921 constitution are rendered impossible by interpretations
relating to the electoral system. These follow the conception of the
PKWN (translator’s note: Polish Committee of National Liberation),
which was based on the 1921 constitution, and they introduce artificial
majorities by the appointment—beside the political parties—of
various professional and social organizations which are adjuncts of
a party already possessing its own representatives in Parliament (Sejm).

No. 1137

890c.018.1445

Memorandum by the Polish Deputy Prime Minister (Mikołajczyk) ¹

[Translation] ²

[Undated.]

(?) As to [To add to (?)] ³ the preceding note from which it follows
that at this stage of the dispute one should not limit himself by the
relatively small territory which anyway with the support of Russia
may by the force of facts appear to be included in Poland.

At this moment the struggle is about the independence and sover-
eignty of Poland, and the dispute about borders unless it is predeter-
mined is another problem.

To save the independence of Poland the territory should be deter-
mined (established?) and the elections should take place as soon as
possible.

At the recognition of territory the conditions could be put forward,
And so:

1. Elections—freedom for parties and for press, eventually the
international control of elections.
2. Removal of the Soviet troops and NKVD.

¹ Handed to Harriman on or about July 25.
² The question mark at the beginning of the paragraph and the phrase in
italics are in the source copy.

[No. 1137]
3. Return and help for return of Polish army from the West in a whole and all émigrés in general.
5. Immediate stop of dismembering (taking to pieces) of factories and disjoining the railroad tracks on the territory given to Poland and full control by Poland of political, economic and communications administration.

The Soviet transport through Polish territory on the basis of a plan presented by Polish authorities.

Poland is to take part in the assistance to Europe by its industrial production and later by agricultural products. Therefore Poland must be completely freed and can not be hampered from inside by senseless dismembering of industrial objects, railroad tracks and by depriving it of agricultural machinery and livestock.

No. 1138

890c.90/7-2445: Telegram

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

SECRET

LONDON, July 24, 1945—7 p. m.

7445. Sir Orme Sargent has shown us two most recent messages received from Hankey from Warsaw. The picture of prevailing conditions is not as favorable as reported in Hankey’s first message (Embassy’s 7269, July 19, 5 p. m.).

Mikołajczyk, furthermore, is no longer optimistic about participation of all major parties in elections.

Hankey found Mikołajczyk very disturbed over decision of Polish Govt not to allow Popiel to organize a rally of Christian Labor Party and over words [sic] sent to Popiel that Christian Labor Party would not be permitted to take part in election. Mik feels that if at this early date it is decided that Christian Labor Party is not to participate in elections during coming weeks same decision may well be reached effecting [affecting] other parties.

Hankey has had a talk with Grabski. Grabski maintains that practically no civic liberties are enjoyed by people of Poland. Behind every local govt there is a Soviet official who has final word. A secret service under Soviet direction is active everywhere and many arrests continue to be made.

When showing us these messages from Hankey, Sargent told us that he had just received a message “privately” from Mik in which

1 The gist of this message was included in telegram No. 126 of July 25 from Grew to Byrnes (file No. 800.00 Summaries/7-2545).
2 Document No. 1122.
Mik said that he was alarmed at the tendency of the Lublin group on the Praesidium to transform the Praesidium on which Grabski is outnumbered five to one into the real governing body of Poland.

Sent Dept as 7445; repeated Moscow as 263.

WINANT

No. 1139

124.60c/7-2445: Telegram

The Appointed Ambassador to Poland (Lane) to the Acting Secretary of State

SECRET PARIS, July 24, 1945—11 p. m.

NIAC T 4463. From Lane.

In view delay obtaining for our Embassy to Poland Soviet clearance across Soviet occupied zone in Germany en route Warsaw, it is pertinent to summarize steps taken:

July 6 I inquired of Ambassador Murphy Frankfort whether Marshal Zhukov would clear passage of group provided information furnished re route to be traveled, names persons in party and numbers of passports. Arrangements with US military for three airplanes having been made July 18 Frankfort was requested that date to obtain Soviet clearance over Soviet controlled territory. Altho we understood Zhukov's HQs had on July 21 given Murphy's office reason to anticipate receipt that same day of a note granting permission such permission was not rec'd. It was therefore necessary to cancel at 9 a. m. July 22 plans for departure on 23rd as US military authorities Berlin require 24 hours notice of flight Paris Berlin.

Permission was then requested to cross Soviet controlled territory on July 26 which should have given sufficient additional time for action by Soviet authorities and would also have enabled advance notice to be given to Polish Govt for our reception in Warsaw and to US military to have our planes in readiness. Permission still not having been rec'd we have been obliged again to postpone departure for Warsaw and to set July 30 as tentative departure date.

Obstructionist Soviet tactics recall similar measures towards our missions in Rumania and Bulgaria and especially refusal for months to permit Embassy to Zecho to proceed thru Rumania on ground of military security. Even this fictional argument does not obtain in case of Embassy to Poland in view end European war. Furthermore, Soviet Govt has direct obligation thru Yalta decision to permit American Embassy to report on conditions in Poland. Fact that

1 Sent over the signature of Caffery. The same message was sent directly to the Office of the Political Adviser at Frankfurt for transmittal to the United States Delegation at Babelsberg.
British Chargé already arrived Warsaw great interest in US re conditions Poland and specifically re holding elections will undoubtedly create unfavorable public reaction unless immediate steps taken to grant our request. It will be recalled that Mr. Hopkins, in his conversations with Stalin last May,² emphasized deterioration of public opinion in US towards Soviet Union as result of Polish question and had explained that this was principal reason for Mr. Hopkins going to Moscow and that this was principal cause of anxiety at that time. (Sent Dept; rptd Frankfort for Berlin as 53 for attention Secretary State and Moscow 207.)

I therefore recommend that the Secretary consider desirability of taking up this matter in Berlin on highest level.

² See vol. i, p. 27.

No. 1140

740.00110 Potsdam/7-3045

The Polish Deputy Minister of Foreign Affairs (Modzelewski) to the Secretary of State

Potsdam, July 30, 1945.

Excellency, Upon the instruction of my Government I have the honour to inform you, Excellency, that the Polish Provisional Government of National Unity feel very much disturbed by the news that have reached them from the Polish Second Army Corps, now in Italy under the command of General Anders. Upon the information received it is obvious that the way the problems of repatriating Polish officers and men are dealt with by the Polish command, is against the interests and desires of the Polish Government and the Polish People who are anxiously waiting for their countrymen to come back home in the shortest possible time. It also seems that action taken in these matters by General Anders is contrary to the policy of the Allied Powers who assured the Polish Government that in executing the repatriation no pressure will be brought to bear upon men and officers concerned.

Here are a few items of information that have lately reached the Polish Provisional Government of National Unity:

On the 16th inst. in all units of the Polish Army Corps in Italy an order of General Anders was read according to which all those who wished to go home were to report individually to their commanding officers. On the same day in the 10th Battalion of Military Engineers, stationed at Capua, six men reported their desire to be sent back to Poland. On the next day they all were arrested and sent away to unknown destination. At the same time there were arrested seven-
teen other men who expressed their desire to return to their home-
country. Similar incidents happened also in the 13th Regiment of
Heavy Artillery and in many other units of the Corps. For fear of
being arrested, many soldiers desert their units. The prevailing
opinion among the soldiers is that the majority of them wish to be
repatriated, and that the break down and winding up of the Corps is
to be expected any day. Meanwhile the command are busy making
mass arrests among the men.

Lest the situation within the 2nd Army Corps in Italy should be-
come more acute, and in order to prepare an orderly repatriation
undisturbed by irresponsible elements, the Polish Provisional Gov-
ernment of National Unity venture to request the United States Govern-
ment:

(i) that steps be taken by the Allied Powers to prevent the recur-
rence of such incidents, and
(ii) that the Polish Provisional Government of National Unity be
enabled to take control of Polish forces at present under Allied Com-
mand and thus to terminate the present duality of command over
Polish Armies in foreign territory, such duality being incompatible
with the existence of a National Government enjoying international
recognition.¹

I avail myself [etc.]

Z MODZELEWSKI

¹ No indication has been found that this note was answered at the Conference.

No. 1141

86th.01/3-14A Telegram
The Ambassador in the United Kingdom (Winant) to the
Acting Secretary of State

SECRET
LONDON, August 1, 1945—6 p. m.
US URGENT
7752. Foreign Office official directly concerned with Polish affairs
told us this afternoon that British officials had first formal meeting
this morning with Drożniak and Kołodziejski.
Emb. 6900, July 9.¹
He said discussion had been amiable although Poles were critical
of continued employment by interim Treasury committee of officials
of former London Polish Govt. They were particularly critical of
continued use of Count Raczyński who they felt is trying to retain
some political status for former London Polish Government. Poles
were assured that Count Raczyński is no longer regarded as Ambas-

¹ Document No. 507, printed in vol. 1.
sador and is consulted solely in private capacity, but they were not completely satisfied on this point nor on employment of other Polish personalities. In end they were told that British Government had already consolidated the twelve former London Polish Ministries into one agency and had reduced the number of their employees from twelve hundred to approximately four hundred. They were also told that Poles employed by interim Treasury committee were selected for their peculiar knowledge of operations of former ministries and were in fact usually non political personalities such as executive officers. Finally Pole representatives were told that interim Treasury committee was dispensing British funds and was perfectly entitled to do so in its own way.

On constructive side conversations brought an agreement by British to furnish Polish representatives with a complete account of funds advanced to former Polish Government and a detailed statement of present commitments of interim Treasury committee. Official who gave us foregoing information told us that it seemed likely an agreement would ultimately be reached with Polish representatives whereby Poland would assume liability for funds advanced to former Polish Government and for at least certain categories of present continuing obligations. He said United Kingdom had considerable bargaining power in that it controlled Polish gold reserve, Polish merchant shipping and Polish Army.

We were handed a copy of circular telegram regarding assimilation of certain diplomatic and consular missions of former Polish Government into British diplomatic posts referred to our telegram 7421, July 23. A copy is being forwarded by airgram. In connection with this circular we were asked again if we had any information about manner in which missions and consulates of former Polish Government in Latin America and the United States are being maintained financially.

Will Dept please repeat to Ambassador Lane.

WINANT

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2 Document No. 1135.
3 Not printed.

EDITOR'S NOTE.—For the final Conference texts on these subjects, as included in the Protocol and Communiqué, see post, pages 1490, 1508.
TOP SECRET

WASHINGTON,] August 8, 1945.

BERLIN CONFERENCE

POLAND

Soviet Policy

The principal interests of the Soviets at the Berlin Conference in connection with Poland were (1) the liquidation of the London Government and (2) establishment of the Polish Western frontier.

In regard to the first the aim of the Soviets was clearly to see to it that all the assets of the London Government were transferred immediately to the Warsaw Government and that the former was thereby estopped from continuing any of its activities, particularly those in the field of propaganda. They were not willing to state that the Polish Provisional Government would assume the liabilities of the London Government. The Soviets also appeared to be ready to further the return to Poland of as many as possible of the Poles abroad. They were not willing that the Polish Government should be asked to give returning Poles specific “assurances” in regard to freedom of their person and property but were willing to state, as recorded in the communiqué, that returning Poles should be accorded personal and property rights on the same basis as all Polish citizens.

As to the holding of elections in Poland, the Soviets were unwilling to go beyond the Yalta Declaration on this matter and the communiqué therefore merely repeats the language of that Declaration. The Soviets did agree after considerable discussion to the inclusion in the communiqué of a reference to the right of Allied press representatives to report to the world upon developments in Poland.

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1 Printed from an unsigned carbon copy. For the minutes of the discussions summarized in this memorandum, see ante, pp. 91–94, 187–194, 204–207.
2 For the other sections of this memorandum, see document No. 1154.
3 See document No. 1384, section ix.
4 See document No. 1417, section vi.
FRONTIERS AND AREAS OF ADMINISTRATION

Editor's Note.—Related papers are printed under the following headings: (a) Germany—Reparations, Restitution, and War Booty, ante, page 830, and (b) Germany—Coal and Food, ante, page 1023.

No. 1143

740.00119 Control (Germany)/7-1745

The Secretary of War (Stimson) to the President 1

[Extract 2]

TOP SECRET  

[BABELSBERG,] 16 July 1945.

MEMORANDUM FOR THE PRESIDENT

... ... ... ... ... ... ... ... ...  

DISMEMBERMENT OF GERMANY

In speaking of Germany, I refer of course, to that part of the country which it is intended will eventually return to her sovereignty. I would be disposed to grant to Poland some areas on her western boundaries which would tend to compensate her for the territory to be ceded to Russia. I feel however, that the burden is upon Russia to show that suitable provisions will be made to care for the millions of Germans now in those areas. We must make it clear that they cannot be shunted to American responsibility. . . .

... ... ... ... ... ... ... ... ...  

HENRY L STIMSON

1 Submitted to Byrnes for transmittal to Truman (see document No. 849).
2 For the other portions of this memorandum, see the enclosure to document No. 849, and document No. 1022.

No. 1144

740.00119 Potsdam/7-1845

Memorandum by the British Delegation

THE EASTERN FRONTIER OF GERMANY AS IT AFFECTS THE PRINCIPLES GOVERNING THE TREATMENT OF GERMANY AND THE AUTHORITY OF THE CONTROL COUNCIL

For background information please see attached paper. 1 At the plenary session on the 18th July 2 it was unanimously agreed that as a preliminary working assumption Germany should

1 No attachment found. Cf. the attachment to document No. 518, printed in vol. i.
2 See ante, p. 90.
be regarded as comprising all territories contained within her 1937 frontiers. It is suggested that at this afternoon's meeting Marshal Stalin should be asked how, in the light of this understanding, the Soviet Government regard the Polish claim to a frontier on the Oder and the Neisse (including Stettin) in its effect upon the joint occupation and control of Germany. Do these territories come under the authority of the Soviet Commander-in-Chief in Germany? Are the Polish authorities in this area acting as the agents of the Soviet Commander-in-Chief and responsible to him? Are the resources of the area available for supplying the rest of Germany?

If these questions do not provoke a direct answer we might go on to say that we understand that Marshal Zhukov at recent meetings in Berlin, has maintained that the territory to the east of the Oder and the Neisse was outside his zone and that he could not therefore draw upon it for food and fuel supplies for his zone.3

We should then develop our grievance on the following lines:—

1 Under the agreements concluded in the European Advisory Commission on the occupation and control of Germany,4 the controlling Powers agreed that the zones of occupation should be created out of Germany within her frontiers as they were on the 31st December, 1937, including East Prussia, and that the members of the Control Council should jointly exercise authority in matters affecting Germany as a whole (i.e. 1937 Germany). His Majesty's Government do not regard these agreements as having been modified by the Crimea decisions on Poland.5 His Majesty's Government consider that the Soviet Government are not entitled to release from their authority any of the territory of 1937 Germany without prior consultation and agreement with the other controlling Powers.

2 If these German territories are withdrawn from the authority of the Control Council and of the Soviet Commander-in-Chief, the whole basis of our combined plans for the treatment of Germany is altered. The balance between the zones is upset. The Soviet zone, reduced in area but obliged to support a larger population owing to the influx of Germans expelled from the territories further east, becomes in Marshal Zhukov's view a deficit area. The British and American Commanders-in-Chief, instead of being able to draw upon the normal surpluses of Eastern Germany, are expected to help to supply Berlin. This radical readjustment threatens to cause very

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3 See document No. 429, printed in vol. i.
4 i.e., (a) the protocol regarding the zones of occupation in Germany and the administration of Greater Berlin, signed at London, September 12, 1944, as amended by a further agreement signed at London, November 14, 1944 (Treaties and Other International Acts Series No. 3071; United States Treaties and Other International Agreements, vol. 5, pt. 2, p. 2078), and (b) the agreement on control machinery in Germany, signed at London, November 14, 1944, as amended by a further agreement signed at London, May 1, 1945 (Treaties and Other International Acts Series No. 3070; United States Treaties and Other International Agreements, vol. 5, pt. 2, p. 2062). Texts of the agreements of September 12 and November 14, 1944, also in Foreign Relations, The Conferences at Malta and Yalta, 1945, pp. 118, 121, 124.
5 See document No. 1417, section vi.
serious consequences for us in our zones. Moreover the total stock of reparation supplies available for the common pool is gravely reduced.

(3) His Majesty's Government, while fully supporting Poland's right to accessions of territory, regard the present claim to the Oder-Neisse line, 6 including Stettin, as excessive. On the short term view it is doubtful whether the Poles will be able to maintain full production in the whole of this area during the critical next winter, while continued expulsion of Germans from the area will cause grave problems for the controlling Powers in Germany. On the long term view Poland's capacity to populate and absorb the whole of these territories is uncertain, while the permanent amputation of one-fifth of the area of Germany would be a cause of weakness to Poland and of instability in Europe as a whole.

Marshal Stalin should then be asked to have the Soviet view reconsidered in the light of our attitude and to let us know the result.

FOREIGN OFFICE, 18th July, 1945.

6 See the map facing p. 1152, post.

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No. 1145

740.00119 (Potsdam/7-2045

Proposal by the Soviet Delegation

Translation?

TOP SECRET

ON THE QUESTION OF WESTERN FRONTIER OF POLAND

RUSSIAN PROPOSAL PRESENTED TO FOREIGN MINISTERS JULY 20, 1945

We have considered the question of western frontier of Poland and have, taking in consideration ethnographical and historic conditions recognized it necessary and equitable, pending the final settlement of territorial questions at the Peace Congress, the western frontier of Poland to fix along the line marked on the attached map 2 viz: west of Swinemünde to the river Oder leaving Stettin on the Polish side, further up the river Oder to the estuary of the river West Neisse to the Czechoslovakian frontier.

1 See ante, p. 155.

2 Not found. Cf. the map facing p. 1152, post.

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No. 1146

740.00119 Potsdam/7-2045

President Bierut and Prime Minister Osóbka-Morawski to President Truman

HIS EXCELLENCY PRESIDENT TRUMAN: On behalf of the Polish Provisional Government of National Unity we address ourselves to

1 This communication was mentioned in the course of the Fifth and Sixth Plenary Meetings, July 21 and 22. See ante, pp. 209, 247.
Your Excellency desiring to call the attention of Your Excellency to the problem of [the] Western frontier of the Polish Republic, a problem that is of a vital importance to the Polish Nation.

Expressing the unanimous and inflexible will of the whole Nation, the Polish Provisional Government of National Unity are convinced that only the boundary line that follows, beginning in the south, the former frontier between Czechoslovakia and Germany, then the Lausitzer Neisse river, then runs along the left bank of the Oder, and leaving Stettin for Poland reaches the sea west of the town of Swinemünde, can be considered a just frontier that guarantees successful development to the Polish Nation, security to Europe, and a lasting peace to the world.

The Polish Nation, which suffered such enormous losses in the war against the Germans, would consider any other solution of the problem of their Western boundary as harmful and injurious, and endangering the future of the Polish Nation and State.

Simultaneously we transmit identical note to Generalissimo Stalin, Chairman of the Council of the Peoples Commissars of the USSR, and to Mr. Winston Churchill, Prime-Minister of His Majesty’s Government, and we are convinced that the problem of Poland’s Western frontier will find a positive solution during the present debates that are of such a far reaching momentum.

We avail ourselves [etc.] BOLESLAW BIERUT

EDWARD OSÓBKA-MORAWSKI

WARSAW, July 20, 1945.

* The signatures are typed on the source copy.

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No. 1147

Moscow Embassy Files—600 Berlin Conference

The Chargé in the Soviet Union (Kennan) to the Polish Chargé in the Soviet Union (Matwin)

Moscow, July 23, 1945.

DEAR MR. MATWIN: I have just been asked by my Government to effect delivery through you of the following urgent and secret message from the President of the United States to the President of the Polish Provisional Government of National Unity:

“I have the honor, on behalf of the three heads of Government now in conference at Potsdam,1 to invite the Polish Government to send two or three representatives, if possible by July 24, to state to the

1 As agreed at the Sixth Plenary Meeting, July 22. See ante, p. 252.

[No. 1147]
Secretary of State for Foreign Affairs of the United Kingdom, the Commissar of Foreign Affairs of the Soviet Union and the Secretary of State of the United States of America their views on the question of the western frontier of Poland.

(Signed) Harry S. Truman.”

I would be grateful if you would be good enough to arrange for the immediate transmission of this message to President Bierut and would advise me as soon as he is known to have received it.²

Very sincerely yours,

[George F. Kennan]

² Kennan informed Truman later on July 23 that the Polish Embassy at Moscow had confirmed the delivery of this message to Bierut.

No. 1148

Truman Papers: Telegram (?)

President Bierut to President Truman ¹

Accepting with thanks your invitation ² conveyed in the name of the Heads of the Three Governments I have the honor to inform that the Polish Government send the following representatives:

Edward Osóbka-Morawski, Prime-Minister of the Provisional Government of National Unity,
S. Mikołajczyk, Vice-Premier,
W. Rzymowski, Foreign Minister.

The question under discussion being of exceptional importance for Poland, I shall also come to Potsdam as my presence might prove to be expedient.

I take this occasion [etc.]

Bolesław Bierut

Warsaw, July 23d, 1945.

¹ This message probably was transmitted through Soviet channels. It is apparently a translation from the Russian, since the names of the Polish officials are given in the source text as Eduard Osobka-Moravski, S. Mikolajchik, V. Zholmovski, and Boleslav Berut.
² See document No. 1147.

No. 1149

Memorandum by the Polish Deputy Prime Minister (Mikołajczyk)¹

[Translation]

SECRET


Poland, in order to safeguard her existence, development, and independence, must—after the loss of territories in the East, (to

¹ Handed to Harriman at a meeting attended also by Dunn and Matthews. See ante, p. 395.
which loss the population cannot psychically reconcile itself) acquire in the west, the frontier of the Neisse, Stettin and the Delta.

This frontier should be determined immediately for the following main reasons:

(a) The population east of the Curzon Line,\(^2\) if it is not to perish for ever, must be boldly encouraged to return and transfer to Western Poland.

(b) The population of the west must be repatriated with utmost speed, and the Western Territories must absorb it; the date of the elections is contingent on their swift return.

(c) If these questions had to be dependent on a tardier fixing of the frontiers, then there would be no possibility either of transfer of population from the east or the west, or of holding elections there. Soviet Armies would stand as hosts in those territories and Poland would lose the chance of directing her own national economy within the area of the entire state. The partial holding of elections, after the losses east of the Curzon Line and without the delimitation of the western frontiers would only cover a small portion of the country’s territory.

(d) This state of affairs would not only overthrow the State system of economy, but it would render impossible any normalisation of conditions in the country, which might prejudice the question of the State’s independence or of its system.

(e) The lack of opportunities for transfer to the west of population from the overcrowded central districts of Poland, leads to the parcellation of peasant farm holdings and estates inside Poland, however healthy the agricultural structure of the country, and it will not be possible to effect a recovery.

(f) If Poland does not take over these territories soon, then there will be no point in a later occupation of these derelict areas.


No. 1150

740.00119 Potsdam/7-2845

Memorandum by the Polish Delegation

Following what was declared by Mr. Byrnes,\(^1\) Chairman of the Conference of the three Foreign Ministers, that regardless of oral declarations it was permissible to send in documentary materials in writing, the Polish Delegation have the honour to transmit enclosed some papers referring to the problem of Poland’s Western frontier, together with an opinion of Professor Stanisław Grabski, Deputy Chairman of Polish National Council.

Potsdam, July 28, 1945.

\(^1\) See ante, p. 331.
PAPERS RELATING TO THE POLISH CLAIM OF POLAND’S WESTERN FRONTIER

[Annex 1]

Only a Poland that is economically strong will contribute to a lasting peace. On the contrary a Poland economically weak, and that necessarily implies her military and political weakness, would only tempt the Germans to a new acquisitive aggression. I believe it was just the recognition of this very truth that made the three leaders of the Allied Nations declare in Yalta that they desired to see, as a result of this war, an independent, sovereign, and powerful Poland.

Poland, however, comes out of this war with a considerably diminished territory and a diminished number of population. This is due to the fact of her having ceded to the Soviet Union an area of 180,000 square kilometres and the entire Ukrainian and White Ruthenian population that lived there before 1939. Should Poland in the way of compensation acquire that portion of Eastern Prussia that lies south and west of Königsberg, and trace her Western frontier-line on the Western Nisa [Neisse] and the Oder (including Stettin into Poland), her area would be smaller by 80,000 kilometres and her population by 7 million people.

In order that Poland might not become but a troublesome client to the Soviet Union, entirely dependent on her for defence, but that she might be a valuable ally to the Union, as well as to the great Western Democracies, in the common cause of safeguarding mankind against Germany’s aggressiveness, she must be given conditions that would enable her to progress economically much faster than she was able to do till now. As a result of this progress she must be able, within twenty years at the most, to reach such a level, at which her social income per head of population should be equal to that of Germany. Poland’s social income equal with that of Germany will be one of the most powerful safeguards of peace on the European Continent. But to do that it is necessary to increase the Polish social income almost thrice. This, however, cannot be achieved unless the Polish nation undergoes a speedy change from a nation exclusively continental and chiefly agricultural into a nation simultaneously continental as well as maritime, and agricultural as well as industrial, approximately of the type of Sweden and Denmark. For this purpose, in turn, it is necessary that Poland, within the shortest possible time, should enter

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2 This caption appears on a separate page preceding the annexes.
3 For the text of the Yalta Declaration on Poland, see document No 1417, section vi.
into the international exchange of goods contributing to it the largest possible amount of import and export. Poland, for the reconstruction of her industry destroyed by the war, and the more in order to speed up her industrial development, will have to import implements of production and raw materials for a long period of time. But in the long run it is impossible to import on credit only. If we do not wish to have a new world crisis, international liabilities must be paid and a world equilibrium of export and import must be preserved. Poland, not only in her own interest, but also in the interest of a natural after the war economical collaboration among the nations, ought to be able, in the shortest possible time, to square her import by her export. At the present moment, however, she has lost the main sources of her pre-war export, viz: the most fertile agricultural territories of Eastern Galicia and Volhynia, as well as the forests of Polesie and the Eastern Carpathians. These losses will be compensated, not without a surplus, I admit, by granting to Poland all Silesia up to the Western Nisa—by the surplus, however, not only Poland will benefit, but also the cause of world’s peace.

Just the contrary to what it was in Germany, Polish economic science and writers before the war did not show any liking whatsoever toward economic self-sufficiency. The Polish economic thought always tried to find the way of economic progress within the framework of economic world collaboration. So much the more does she desire this collaboration today. The mines and factories of Silesia which, under the German domination, were, alike with those of the Ruhr Basin, a forge for their war industry, will in the hands of Poland become a strong unifying factor in the field of economic collaboration between the Polish Nation and the great Western Anglo-Saxon Democracies. The collaboration of Western capital with the Polish people, with the Polish engineers and miners, in the further development of Silesian industry and mining, will be of a great importance for furthering the movement for peace in Central Europe. The Polish people as a whole are desirous to establish such a collaboration. But that is also the reason why all the Polish parties and all layers of the Polish community, without any exception whatsoever, expect the Great Powers to grant to Poland territorial compensation for what she was deprived in the East, for this compensation only will make it possible for her to take a due part in the economic progress of mankind, resting upon the foundations of an honest international collaboration.

When the allied Poland has, following the decisions of the Crimean Conference, withdrawn her Eastern frontier to a line on which she stood at the end of the XIVth century, no injustice, it seems, can be
found in Germany, the foe, withdrawing her Eastern frontier, being at the same time Poland’s Western boundary, to a line where she stood at the end of the same century. And this line was the Oder with Stettin, and the Lausitz Nisa.

Stanislaw Grabski
Professor of Economic
Deputy President of Polish National Council

Potsdam, July 28, 1945.

[Annex 2]

Why the Territory on the Oder and the Western Nisa Has Been Taken Over by Poland?

On the basis of the Crimean Declaration, issued at Yalta by the Great Allies, Poland took it for granted that her territory in the North and West would be substantially increased.

Following the shifting of the Eastern frontier of Poland it was necessary to conclude an agreement with the USSR, the result of which was that Poland had to face a re-settlement of a part of her population in a very brief period of time. Therefore new homes for the Polish population from across the Curzon line had to be found.

For that purpose the area, stretching away between the former Polish frontier and the river Oder and Western Nisa, proved to be most suitable. It had been recently freed by the Red and the Polish Armies and was almost completely abandoned by Germans. In making use of it Poland relied upon the Crimean Declaration. In the old Poland, within the limits of 1939, it was impossible to accommodate those 4,200,000 home coming people, the overpopulation and war damages in that area being too great.

On the other hand the land on the Oder and the Western Nisa proved to be deserted owing to a mass flight of Germans before military activities. Had that area been let to remain empty of people, crops and livestock would have been lost and industrial equipment ruined.

In all that a very positive part was played by the Polish Army which, together with the Red Army, had fought on this territory and succeeded in freeing it from the German occupant; it was only natural it had to stay there for the sake of preserving peace and security, and by doing so to protect this part of Europe against disorder and banditry. Polish troops contributed a good deal to the restoration of economic life in those parts, in particular assisted in spring sowing and in harvesting crops. So the arable land in that area was not left unused and there is no doubt that this made the
danger of starvation in Europe much smaller. At the present moment the Polish settler in that area, assisted by the Polish Army, is busy at harvesting crops and is getting ready for autumn sowing. Thus he contributes to re-introducing this land into the economic life of Europe and to making the economic and political conditions more stable.

Moreover, in the area on the Oder and the Western Nisa there lived about 2 million people of Polish descent and speaking Polish language; they looked forward to the Polish state for assistance and protection. Apart of them in Germany worked about 2 million Polish workers [sic] deported there by force and about 1 million of prisoners in P. O. W. and concentration camps. A great part of those was to be found in the spoken about area. Those people, too, asked to be helped and protected by the Polish authorities.

These are the reasons why Poland has introduced her administration in the territory east of the Oder and the Western Nisa. The results of this action were positive. The Polish administration and the Polish Army have restored order and made it possible for the economic life, interrupted by the activities of war, to thrive again.

[Annex 3]

ECONOMIC VALUE OF THE TERRITORY CEDED TO THE USSR AND THE WESTERN AREA EAST OF THE ODER AND THE WESTERN NISA

(A Few Comparative Data)

With the cession of the territory in the East to the USSR the following most important economic items were lost for Poland:

A. MINERAL RAW MATERIALS

1. Oil
   (Eastern Carpathians)
   yearly production of Poland
   in 1937
   loss in production
   501,000 tons
   loss in percentage
   76%

2. Ozocerite
   (Eastern Carpathians)
   entire production lost
   100%

3. Natural gas
   (Eastern Carpathians) loss
   72%

4. Potassium salts
   (Eastern Carpathians) entire
   prod. lost
   Production in 1938: 567,000
   tons
   100%

5. Building stones
   (for roads and buildings,
   Volhynia and Polesie) loss
   Production in 1938: 3,000,000
   tons
   70%

[No. 1150]
6. Gypsum
   (Southern area) losses:
   alabaster—total production 100%
   plaster gypsum 40%

7. Ceramic materials (china clay, quartz, feldspar)
   total production lost 100%

As to oil, ozokerite, natural gas, potassium salts, and alabaster, Poland has nothing to gain by the incorporation of the said territory in the West, since those raw materials are not to be found there. As far as construction stones, gypsum, and ceramic materials are concerned, Poland shall obtain in the new area an equivalent for the losses in the East.

On the other hand Poland will come into possession of 18 bituminous coal mines (the district of Oppeln in Silesia) with the annual production of about 30 million tons, and a few coal mines in the Lower Silesia with the yearly production of about 5 million tons, which means a total increase of Polish production capacity in this respect by 50 per cent. Moreover, Poland will obtain in the vicinity of Bytom (district of Oppeln, Silesia) a part of Upper-Silesian deposits of zinc-and-lead ores. That will [increase?] her resources of these ores up to 33 million tons (an increase by about 55 per cent). Having in view, however, a high degree of development of the home smelting industry, even these resources must be considered as being, relatively speaking, rather small, since they can feed zinc and ore smelting furnaces in Poland no longer than 50 years.

B. AGRICULTURE

(Computation based upon approximate pre-war data)

In the Eastern territory ceded to the Soviet Union, to be exact in the middle and Southern part of it, we have lost about 50 per cent of what we possessed in loess and "czernoziom" soil, owing to which Poland is to suffer some losses in her agricultural production. Even if the territories east of the Western Nisa and the Oder were incorporated, our agricultural production will diminish by:

<table>
<thead>
<tr>
<th>Crop</th>
<th>Tons</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>by 300,000</td>
<td>i.e. by 14</td>
</tr>
<tr>
<td>Barley</td>
<td>44,800</td>
<td>3</td>
</tr>
<tr>
<td>Flax seed</td>
<td>30,000</td>
<td>44</td>
</tr>
<tr>
<td>Hemp seed</td>
<td>13,000</td>
<td>68</td>
</tr>
<tr>
<td>Buckwheat</td>
<td>115,000</td>
<td>66</td>
</tr>
<tr>
<td>Millet</td>
<td>54,500</td>
<td>55</td>
</tr>
<tr>
<td>Maize</td>
<td>98,500</td>
<td>94</td>
</tr>
<tr>
<td>Hops</td>
<td>1,400</td>
<td>71</td>
</tr>
<tr>
<td>Tobacco</td>
<td>5,200</td>
<td>48</td>
</tr>
</tbody>
</table>
In return certain gains would be achieved in other sectors of agricultural production, viz:

<table>
<thead>
<tr>
<th></th>
<th>Tons</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rye</td>
<td>160,000</td>
<td>i.e. by 2</td>
</tr>
<tr>
<td>Oats</td>
<td>147,000</td>
<td>6</td>
</tr>
<tr>
<td>Potatoes</td>
<td>1,365,000</td>
<td>4</td>
</tr>
<tr>
<td>Clover</td>
<td>1,178,000</td>
<td>4</td>
</tr>
<tr>
<td>Sugar beets</td>
<td>2,601,900</td>
<td>90</td>
</tr>
<tr>
<td>Silicouque plants</td>
<td>8,900</td>
<td>23</td>
</tr>
<tr>
<td>Flax fibre</td>
<td>27,000</td>
<td>73</td>
</tr>
<tr>
<td>Hemp fibre</td>
<td>1,500</td>
<td>13</td>
</tr>
</tbody>
</table>

As one may see by comparing the two lists owing to the changes in our frontiers the centre of gravitation of agricultural production in Poland will shift, i.e. there will be an increase in the crop of wheat and potatoes and at the same time a substantial decrease in the production of wheat, buckwheat and maize.

C. FORESTS

As a result of Poland having given up to the Soviet Union some large forested areas and in spite of her acquiring woods in the territory east of the Western Nisa and the Oder, she would lose on the whole 1,384,000 hectares. This loss, as well as the damages caused to our forests by the Germans has decreased the Polish resources of timber to such an extent, that Poland has to import timber for the purpose of reconstructing the country.

D. LIVESTOCK BREEDING

In consequence of the fact that the Polish territory will be smaller by 20%, some decrease in the area of meadows, and pastures as well as in the crop of feed-plants, necessary for livestock breeding, is to be expected.

As one can easily see looking at these comparative figures, Poland, by ceding her territory east of the Curzon line, suffered important economic loss in some main raw materials. It is impossible for her to obtain compensation in all particular items. Generally speaking, however, these losses can be counter-balanced only by her coming into possession of the area east of the Oder and the Western (Lausitzer) Nisa. This will bring about a shift in the type of Polish productivity: from a country producing mainly food and timber Poland will change into an agricultural and industrial one, which will raise the level of living and consumption capacity of her population, and, in consequence, increase her share in the international exchange of goods.
Demographic Needs of Poland

There are about 26,000,000 Poles at the present moment. Considering that in 1931 (last Polish census of population) the average density of population was 83 people per sq. km., Poland ought to have at least 314,000 sq. km. of her territory.

The area she lost in the East amounted to 184,000 sq. km. What was left for her was 204,000 sq. km., i.e. not more than 65% of the area required. So her territory ought to be increased by 1/3, otherwise she will not be able to live an independent life.

The incorporation of the Eastern part of Germany up to the Oder and the Western Nisa will bring to Poland 105,000 sq. km., and so even in that event she will obtain less than she really needs.

In consequence of these changes the territory of Poland will be smaller by 74,000 sq. km., in other words, by 20 per cent, whereas Germany’s territorial loss will be no greater than 18 per cent of her area. Poland’s maximum claims lead in effect to a smaller loss for defeated Germany than to allied and victorious Poland.

Poland will have to master an area of 105,000 sq. km. inhabited by about 8 million people. Among that population, however, those who are of Polish descent and speak Polish amount to 2 million men and women. They will regain their national liberty at last. Actually, then, we have to take care of those industrial portions (farm, factories, artisan workshops and others), that were left behind by about 6 million people of German nationality. From the East about 4,200,000 Poles are to be transferred: they must find the opportunity to earn their living in the new Poland. From abroad (France, Belgium, USSR, etc.) about half a million Poles will come back home.

Before the war Poland was a country that was extremely overpopulated, particularly in the rural districts. There, without any land of their own to cultivate and without any chance of getting employment, lived 3 to 5 million people, 70 per cent of whom were Poles. Those rural “superfluous people” could not be absorbed into the industry and urban centres owing to the low level of old Poland’s industrial development. In the new Poland, however, those people must also be given satisfactory conditions for a decent existence.

As it was shown by the publications of the League of Nations, the overpopulation of the rural districts in Europe had reached the
maximum intensity in Poland. That was the reason why more than 2 million people emigrated from this country in the years 1919–1939.

The rural overpopulation in Poland made also people to look for a seasonal emigration to neighbouring countries; between 1927 and 1938 534.000 men and women left Poland. Out of this number 431.000 went to Germany to cultivate, as migratory farm workers, the land that had been abandoned by German inhabitants. This shows that the German element was not able to hold his own in agriculture in those parts.

This fact is being confirmed, too, by a constant German emigration that has been going on without a stop from about 1850. Even in the last years, in spite of the strenuous efforts of Hitler's government to the contrary, 448.000 people left that land, going westward, in the years 1933–39.

The Polish farm labourer considered this state of affairs as injurious, for he saw himself induced to cultivate the soil robbed from his ancestors by Germany, and in this way to collaborate at making the power of his enemies still greater.

Poland cannot but defend her citizens, she can comply no longer with them working for Germany under such conditions. On the other hand she is willing to send Germany the surplus of her agricultural products in exchange for a suitable equivalent. In this way justice will be done to both those who work and those who are in need.

The demographic pressure of the Polish population is, indeed, very great. It shows itself in the natural annual increase of the population that on the average is more than 250.000 people.

In conclusion one may say (i) that Poland with no difficulty can master the territory east of the Oder and the Western Nisa; (ii) that this area is necessary for her as a condition of her existence as independent power; (iii) that only by possessing that land she will be able to organize her agricultural and, generally speaking, her whole professional system on a more reasonable and sound basis; furthermore, to avoid that her sons and daughters should emigrate or slave for Germany.

The Polish claims in reference to her Western frontiers upon the Oder and the Western Nisa are, then, much more modest than it would be justified by her actual demographic needs.
Proposal by the United States Delegation

[BABELSBERG, July 29, 1945.]

In conformity with the agreement on Poland reached at the
Crimean Conference the three Heads of Government have sought the
opinion of the Polish Provisional Government of National Unity in
regard to the accession of territory in the north and west which
Poland should receive. The President of Poland and members of
the Polish Provisional Government of National Unity have been
received at the Conference and have fully presented their views.
The three Heads of Government reaffirm their opinion that the final
delimitation of the western frontier of Poland should await the
peace settlement.

The three Heads of Government agree that, pending the final
determination of Poland's western frontier, the former German
territories east of a line running from the Baltic Sea through Swinemünde, to west of Stettin to the Oder and thence along the Oder River to the confluence of the eastern Neisse River and along the eastern Neisse to the Czechoslovak frontier, including that portion of East Prussia not placed under the administration of the Union of
Soviet Socialist Republics in accordance with the understanding
reached at this conference and including the area of the former free
city of Danzig shall be under the administration of the Polish State
and for such purposes should not be considered as part of the Soviet
zone of occupation in Germany.

1 Handed to Molotov July 29. See ante, p. 472.
2 i.e., the Glatzer Neisse or Nysa Kłodzka. See the map facing p. 1152, post.

No. 1152

Proposal by the United States Delegation

[BABELSBERG,] July 30, 1945.

WESTERN FRONTIER OF POLAND

U. S. PROPOSAL

In conformity with the agreement on Poland reached at the Crimean Conference the three Heads of Government have sought the

1 Attachment 1b to the summary of the Tenth Meeting of the Foreign Ministers, July 30. See ante, pp. 485, 497. Byrnes had given Molotov a copy of this proposal at a private meeting immediately preceding the Tenth Meeting of the Foreign Ministers. See ante, p. 480.
opinion of the Polish Provisional Government of National Unity in regard to the accession of territory in the north and west which Poland should receive. The President of Poland and members of the Polish Provisional Government of National Unity have been received at the Conference and have fully presented their views. The three Heads of Government reaffirm their opinion that the final delimitation of the western frontier of Poland should await the peace settlement.

The three Heads of Government agree that, pending the final determination of Poland's western frontier, the former German territories east of a line running from the Baltic Sea through Swinemünde, and thence along the Oder River to the confluence of the western Neisse River and along the western Neisse to the Czechoslovak frontier, including that portion of East Prussia not placed under the administration of the Union of Soviet Socialist Republics in accordance with the understanding reached at this conference and including the area of the former free city of Danzig, shall be under the administration of the Polish State and for such purposes should not be considered as part of the Soviet zone of occupation in Germany.

2 i.e., the Lausitzer Neisse or Nysa Łużycka. See the map facing p. 1152, post.

No. 1153

Truman Papers

Memorandum by the Assistant Secretary of State (Dunn) 1

[POTSDAM, July 31, 1945.]

Would it 2 be appropriate for the Polish Government officials to be jointly notified of the decision on the Polish boundary. You might have one representative of each of the three to do it here.

JAMES] CLEMENT] D[UNN]

1 This paper is a manuscript note in pencil which Dunn apparently passed to Byrnes in the course of the Eleventh Plenary Meeting, July 31 (see ante, p. 528), and which Byrnes, with the change described in footnote 2, infra, apparently passed on to Truman with the manuscript notation, "from Dunn".

2 Byrnes amended the first sentence by hand to read: "Would it not".

EDITOR'S NOTE.—For the final Conference texts on this subject, as included in the Protocol and Communiqué, see post, pages 1491, 1509.

[No. 1153]


Soviet Policy

The principal interests of the Soviets at the Berlin Conference in connection with Poland were (1) the liquidation of the London Government and (2) establishment of the Polish Western frontier.2

As to the Western frontier of Poland, the Soviets from the beginning supported the Polish claim to the Oder–Neisse Line including Stettin and Swinemünde in Poland. Their argument was based almost entirely on the allegation that practically all of the Germans had already fled from these regions, that the Poles had moved in and that the Red Army had had no recourse but to turn the administration of a Polish-inhabited area over to the Poles. In answer to the argument that an important food and coal-producing area was being removed from the jurisdiction of the Allied Control Commission for Germany, they replied that, the Germans having fled and being unwilling to return, only the Poles could produce the food and mine the coal and that they could not be expected to do so for the benefit of the Germans. Though the Poles themselves in appearing before the Foreign Ministers presented numerous other arguments in favor of the Oder–Neisse Line,3 Stalin limited himself almost exclusively to the claim that we are confronted by a practical situation which admits of no other solution than to recognize the fait accompli.

British Policy

The British opposed the Polish claim on two grounds. First they maintained that the area in question was inhabited by eight to ten million Germans, far too large a number to be turned over to Poland. If on the other hand these vast numbers were driven westward out of this area, they would impose an enormous burden on the occupying powers in the remainder of Germany.

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1 Printed from an unsigned carbon copy. For the minutes of the discussions summarized in this memorandum, see ante, pp. 208–215, 247–252, 518–520.

2 For the paragraphs omitted here, see document No. 1142.

3 See ante, pp. 332–336, and post, pp. 1518–1523.
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Secondly the British laid the greatest stress on the difficulties which would be caused the occupying authorities if these important coal and food-producing areas were no longer available to supply the rest of Germany, particularly Berlin and the industrial areas in the west. They maintained that the result would be that the United States and Britain would have to import food to feed the Germans in their zones.

It was only with the very greatest reluctance that the British finally consented to the Oder–Neisse Line and it is by no means certain that, but for the change in the British Government in the midst of the Conference, they would have done so.

**ECONOMIC ASSISTANCE FROM THE UNITED STATES**

**No. 1155**

860c.24/7-2945 : Telegram

*The Assistant Secretary of State (Clayton) to the Army–Navy Liquidation Commissioner (McCabe)*

[Extract]

**SECRET**

**BABELSBERG, July 26, 1945.**

**VICTORY 349.** To [Acting] Secretary of State Washington for McCabe from Clayton[,] for Fetter from Collado.

Please inform us urgently of status of 1,000 trucks for Poland. . . .

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1 Sent to the Acting Secretary of State over the signature of Byrnes.
2 Cf. ante, p. 403.

**No. 1156**

860c.24/7-2946 : Telegram

*The Chief of the Division of Lend-Lease and Surplus War Property Affairs (Fetter) to the Assistant Secretary of State (Clayton) and the Director of the Office of Financial and Development Policy (Collado)*

[Extracts]

**SECRET**

**[WASHINGTON],** July 28 [1945.]

**154.** For Clayton and Collado from Fetter.

On July 18 OANLC instructed Field Commissioner Paris (Your VICTORY 349 July 26 2) to make all necessary arrangements for delivery of 1,000 trucks to Polish Govt. Ambassador Lane has discussed question with Field Commissioner and reports that approxi-

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1 Sent to the Secretary of State at Babelsberg over the signature of Grew.
2 Document No. 1155.
mately 750 trucks for Poland are available in U. K. for early delivery and that remaining 250 could be obtained on Continent. We do not know what official of Polish Govt should execute necessary documents and accept delivery. Dept has instructed Lane to request Polish Govt to name representative to close transaction. Lane, now in Paris, reports that he will do this on his arrival in Warsaw about July 30. Nothing more can be done until Lane and Polish Govt supply further information. Dept and OANLC feel that no public announcement of truck deal should be made until all arrangements are completed and Lane has been instructed not to release public statement without first submitting it to Washington.

This reply has been shown to OANLC and they concur in respect to any actions by them.
SOVIET UNION

GENERAL POLICY; SHARING OF INFORMATION ON ATOMIC ENERGY

No. 1157

Department of the Army Files

Memorandum by the Secretary of War (Stimson)¹

TOP SECRET

BABELSBERG, July 19, 1945.

REFLECTIONS ON THE BASIC PROBLEMS WHICH CONFRONT US

1. With each International Conference that passes and, in fact, with each month that passes between conferences, it becomes clearer that the great basic problem of the future is the stability of the relations of the Western democracies with Russia.

¹ Given to Truman by Stimson on July 21 with the explanation that it “was in no sense an official paper.” For Stimson’s later reflections on this paper, see Henry L. Stimson and McGeorge Bundy, On Active Service in Peace and War (New York, 1947), pp. 638–641.

The following extracts from Stimson’s diary show the genesis of this memorandum and the circumstances of its presentation to Truman:

“[July 19:] . . . Later in the afternoon at a quarter to five McCloy, Bundy, and I had a long and interesting discussion on our relations with Russia; what the cause of the constant differences between the countries are, and how to avoid them. As a result, I dictated a memorandum on the subject to serve as a sort of analysis and possible basis for action. It boiled down to the possibility of getting the Russians to see that the real basis of the evil was the absence of freedom of speech in their regime, and the iron-bound rule of the OGPU. I have been very much impressed on this visit with the atmosphere of repression that exists everywhere, and which is felt by all who come in contact with the Russian rule in Germany. While the Russian soldiers and American soldiers seem to like each other individually when they meet, the people who have to deal with the Russian officials feel very differently, and it greatly impairs the cooperation between our two countries. Churchill is very rampant about it, and most of our people who have seen the Russians most intimately think we have been too easy and that they have taken advantage of it.

“It is a very difficult problem because they are crusaders for their own system and suspicious of everybody outside trying to interfere with it. At the same time it is becoming more and more evident to me that a nation whose system rests upon free speech and all the elements of freedom, as does ours, cannot be sure of getting on permanently with a nation where speech is strictly controlled and where the Government uses the iron hand of the secret police. The question is very important just now, and the development of S-1 is bringing it to a focus. . . .

“[July 20:] . . . We then returned to the house and Ambassador Harriman soon came in on my invitation to talk over the subject of our relations with Russia which McCloy, Bundy and I were discussing last evening. I showed him the paper which I had dictated on the importance of getting freedom of speech in Russia. It wound up as a suggestion as to the importance of beginning to get the Russians accustomed to the thought of coming to that one of the Bill of Rights which in my opinion is the most important of all. Harriman read the paper and
2. With each such time that passes it also becomes clear that that problem arises out of the fundamental differences between a nation of free thought, free speech, free elections, in fact, a really free people with a nation which is not basically free but which is systematically controlled from above by Secret Police and in which free speech is not permitted.

3. It also becomes clear that no permanently safe international relations can be established between two such fundamentally different national systems. With the best of efforts we cannot understand each other. Furthermore, in an autocratically controlled system, policy cannot be permanent. It is tied up with the life of one man. Even if a measure of mental accord is established with one head the resulting agreement is liable to be succeeded by an entirely different policy coming from a different successor.

4. Daily we find our best efforts for coordination and sympathetic understanding with Russia thwarted by the suspicion which basically and necessarily must exist in any controlled organization of men.

5. Thus every effort we make at permanent organization of such a world composed of two such radically different systems is subject to frustration by misunderstandings arising out of mutual suspicion.

6. The great problem ahead is how to deal with this basic difference which exists as a flaw in our desired accord. I believe we must not accept the present situation as permanent for the result will then almost inevitably be a new war and the destruction of our civilization.

I believe we should direct our thoughts constantly to the time and method of attacking the basic difficulty and the means we may have in hand to produce results. That something can be accomplished is not an idle dream. Stalin has shown an indication of his appreciation of our system of freedom by his proposal of a free constitution to be established among the Soviets. To read this Constitution would lead one to believe that Russia had in mind the establishing of free speech, free assembly, free press and the other essential elements of

(Footnote 1—continued)
said that the analysis of the reasons for the difference were in his opinion exactly correct but he was pessimistic as to the chances of getting Russia to change her system in any way. He has been in Russia now for nearly four years and has grown evidently depressed and troubled by the situation. I talked with him for a long time regarding the matter and, in view of his intelligence and capacity, such a despairing view from him troubled me a great deal. "The foregoing day I had left with him my paper on reflections as to our relations with Russia, copy of which is hereto attached. I had told him that this paper was in no sense an official paper—that it did not even contain my matured opinions, but that it represented an analysis which I thought was correct and a program of what I hoped might sometime be done. With that understanding he asked me to see it and I left it with him and this morning I picked it up. He gave it to me and stated that he had read it and agreed with it."
our Bill of Rights and would not have forever resting upon every citizen the stifling hand of autocracy. He has thus given us an opening.

The questions are:

a. When can we take any steps without doing more harm than good?
b. By what means can we proceed?

1. By private diplomatic discussion of the reasons for our distrust.
2. By encouraging open public discussions.
3. By setting conditions for any concessions which Russia may ask in respect to—
   
   (a) Territorial concessions
   (b) Loans
   (c) Bases
   (d) Any other concessions.

How far these conditions can extend is a serious problem. At the start it may be possible to effect only some amelioration of the local results of Russia’s Secret Police State.

7. The foregoing has a vital bearing upon the control of the vast and revolutionary discovery of \( \text{X} \) which is now confronting us. Upon the successful control of that energy depends the future successful development or destruction of the modern civilized world. The Committee appointed by the War Department which has been considering that control has pointed this out in no uncertain terms and has called for an international organization for that purpose.\(^4\)

After careful reflection I am of the belief that no world organization containing as one of its dominant members a nation whose people are not possessed of free speech but whose governmental action is controlled by the autocratic machinery of a secret political police, cannot [can] give effective control of this new agency with its devastating possibilities.

I therefore believe that before we share our new discovery with Russia we should consider carefully whether we can do so safely under any system of control until Russia puts into effective action the proposed constitution which I have mentioned. If this is a necessary condition, we must go slowly in any disclosures or agreeing to any Russian participation whatsoever and constantly explore the question how our head-start in \( \text{X} \) and the Russian desire to participate can be used to bring us nearer to the removal of the basic difficulties which I have emphasized.\(^5\)

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\(^3\) I. e., atomic energy.

\(^4\) See the sources cited in vol. I, document No. 619, footnote 3.

\(^5\) Concerning the extent of Truman’s disclosure to Stalin at the Berlin Conference of the existence of a new atomic weapon, see ante, pp. 378–379.
PARTICIPATION IN EUROPEAN ECONOMIC ORGANIZATIONS

No. 1158

840.707/1845: Telegram

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

SECRET

US URGENT

LONDON, July 18, 1945—1 p. m.

7236. With regard to suggested procedure for reconvening EIT conference given in Department's 5808, July 14.\(^1\) Ronald has now suggested that matter could be more advantageously taken up in Berlin. FonOff has telegraphed its delegation at Berlin Conference to consult with US delegation and if agreed discuss with Russians problem of reconvening EIT conference as part of larger discussion of Russian cooperation in European economic organizations. Ronald stated Weston is in Berlin and would be able to give both delegations technical background information if necessary.

\(^{1}\) Not printed. For the text of the "suggested procedure" referred to, see document No. 1160.

No. 1159

840.707/1945: Telegram

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

SECRET

LONDON, July 19, 1945—noon.

7259. 1. Ronald informs us that Cadogan has been instructed to arrange for Clark Kerr to discuss with Harriman and Clayton at Berlin the question of what steps should be taken, in view of agreement on Polish Provisional Govt, to try to extend membership of EECE, provisional ECITO, and ECO.

2. First question is whether single approach should be made to Soviet at Berlin with respect to all these temporary economic bodies or whether provisional ECITO should be taken up separately. (My telegram 7236, July 18\(^1\)). Second question is what subsequent procedure to follow if Soviet are not willing to join. FonOff thinks it would in effect be incompatible with insistence on independent character of Polish Provisional Govt if in such a case no opportunity to join were given to Poland.

3. As regards provisional ECITO Ronald suggested that if Soviet would not join reconvened conference to get up ECITO the provisional

\(^{1}\) Document No. 1158.
character of ECITO might be retained to facilitate their adherence later but invitations be sent to Poland and Czechoslovakia and perhaps others to join the provisional organization.

WINANT

No. 1160

840.70/7-1945: Telegram

The Director of the Office of Transport and Communications Policy (Taft) to the Assistant Secretary of State (Clayton) 1

SECRET

US URGENT

WASHINGTON, July 19, 1945.

61. Attention Clayton from Taft.

Dept has received from BritEmb an aide-mémoire 2 proposing that European Inland Transport Conference be reconvened. BritGovt further proposed that they inform SovGovt of the desire to resume the Conference and that they are disposed to invite Provisional Polish Govt to appoint a delegation but before doing so BritGovt would welcome assurance that SovDeleg would participate in work of Conference.

BritGovt also suggested that Danish and Turkish Govts be invited to reconvened Conference and requested US views on this question. Dept answered Brit aide-mémoire as follows: 3

"The Department of State agrees with the proposals of His Majesty's Government as contained in the British Embassy's Aide-Mémoire of July 11, 1945 that the Soviet Government be informed of the desire of our Governments to reconvene the European Inland Transport Conference as soon as possible. Such communication to the Soviet Government would go on to say that our two Governments are disposed at once to invite the Polish Provisional Government of National Unity to appoint a delegation to the Conference but that before doing so we would welcome assurance that the Soviet Government would participate in the work of the reconvened Conference.

The Department of State suggests that since the original invitations to the Conference were issued jointly by our two Governments the proposal to the Soviet Government and the invitations reconvening the Conference likewise be joint communications.

The Department of State does not believe that the Danish and Turkish Governments should be invited to send delegates to the reconvened Conference as this might entail further delay or raise additional questions concerning the participation of other governments. This question should be left for consideration either by the Conference after it is reconvened or by the Council of the Organization after the final agreement has been signed.

1 Sent to the Secretary of State at Babelsberg over the signature of Grew.
2 Document No. 267, printed in vol. I.
3 On July 14.
This Government agrees that the Provisional Organization for European Inland Transport should continue its activities until the European Central Inland Transport Organization proper comes into being."

Embassy London now advises that FonOff suggests matter could be more advantageously taken up in Berlin and that FonOff has requested its delegation Berlin to consult with you and if agreeable to discuss with Soviets question of reconvening Conference as part of larger discussion of Russian cooperation in European economic organizations. Weston of Ministry of War Transport is Brit official most familiar with entire EIT matter. He is in Berlin and would be able to give both delegations technical background information if necessary.

Department perceives no objection to latest FonOff proposal and will therefore assume that matter will be considered in Berlin unless informed by you to the contrary.

4 See document No. 1158.

No. 1161

740.00119 Potsdam/8-245

Proposal by the United States Delegation 1

TOP SECRET

[BAEBLSBERG, JULY 22, 1945.]

COOPERATION IN SOLVING IMMEDIATE EUROPEAN ECONOMIC PROBLEMS

The urgent tasks of European relief and reconstruction can be most effectively carried out only if supported by the combined efforts of the United States, the Soviet Union, and the United Kingdom. It is, therefore, recommended that the three governments agree to participate fully in the Emergency Economic Committee for Europe (EECE), European Coal Organization (ECO) and the European Central Inland Transport Authority (ECITO). It should be the aim of the three Governments to assist in making these organizations effective agencies for handling the problems of relief and reconstruction by day-to-day cooperation in their activities.

1 Notice of the submission of this paper was given at the Fifth Meeting of the Foreign Ministers, July 22 (see ante, p. 227), and the subject was referred to the Foreign Ministers at the Sixth Plenary Meeting, July 22 (see ante, pp. 246-247).
Report by the Subcommittee on Cooperation in Solving Immediate European Economic Problems

[BABELSBERG,] July 25, 1945.

REPORT OF THE CONCLUSIONS REACHED BY THE SUB COMMITTEE CREATED TO CONSIDER THE UNITED STATES PROPOSAL ON "COOPERATION IN SOLVING IMMEDIATE EUROPEAN ECONOMIC PROBLEMS"

1. After a discussion of the functions and purposes of the Emergency Economic Committee for Europe and the European Coal Organization, the Soviet representatives agreed to review the documents concerning these organizations in order to decide the Soviet position regarding participation in them. The U. K. and U. S. Governments are already members of these organizations.

2. The U. K. and U. S. representatives informed the Soviet representatives of their desire to reconvene the European Inland Transport Conference and stated that they would welcome assurance that the Soviet Government would participate in the work of the reconvened Conference. The Soviet representative subsequently informed the U. K. and U. S. representatives that the Soviet Government would participate in this conference.

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1 Submitted to the Ninth Meeting of the Foreign Ministers, July 27. See ante, p. 435. An English translation of the Russian text of this paper, which contains variations of language and word order from the document here printed, is attached as enclosure 3 to the Rapporteur's report of that meeting. See ante, p. 447.


EDITOR'S NOTE.—For the final Conference text on this subject, as included in the Protocol, see post, page 1497.

[No. 1162]
No. 1163

London Embassy Files—879 EITO

The British Acting Assistant Under-Secretary of State (Ronald) to the Minister in the United Kingdom (Hawkins)

[Extracts]

W 10212/22/13 [LONDON,] August 3, 1945.

Dear Hawkins, After you left me yesterday I ... addressed a telegram to our Chargé d’Affaires in Warsaw\(^1\) in the terms of the enclosed. ... \(^2\)

You will notice that I adopted your suggestion that we should mention an actual date in our communication. I was all the more inclined to do this when I heard from Weston that the Soviet Delegation at Terminal had definitely favoured quick progress in this field.

... ... ... ... ... ... ... ... ... ...

Yours sincerely, \(\quad\) Nigel Ronald

[Enclosure—Extract]

As a result of discussions between United Kingdom, United States and Soviet delegations at Terminal Soviet Government have agreed to resume participation in European Inland Transport Conference in London as soon as Polish Provisional Government have accepted invitation to send a delegation to the Conference and have indicated when that delegation could reach London.

\(^1\) Hon. Robert M. A. Hankey.

\(^2\) Instructing the Chargé to invite the Polish Provisional Government to send a delegation to the European Inland Transport Conference.

REPATRIATION OF ALLEGED SOVIET NATIONALS

No. 1164

749.00119 Control (Italy)/7-2345

The Secretary of the Soviet Delegation (Novikov) to the Assistant Secretary of State (Dunn)

[Translation]


Dear Mr. Dunn: In connection with the question concerning the British camp for Soviet citizens in the region of Cesenatico (Italy), regarding which the statement was made by the Soviet Delegation at
the meeting of the Heads of the Three Governments on July 22, I am sending you herewith, under instructions of the People’s Commissar, an aide-mémoire. I would appreciate it if you would acknowledge the receipt of the attached aide-mémoire.

Sincerely yours,

K Novikov

[Attachment—Translation]

AIDE-MÉMOIRE

The Soviet Reparation [Repatriation] Authorities have received the following information from their representatives in Italy.

On July 10, 1945 Lieutenant Colonel Levels informed the Soviet representative, Colonel Yakovlev, that there were 150 Soviet citizens in the British camp in the region of the city of Cesenatico. On July 16 the Soviet representative, Colonel Podobed, together with the English Brigadier Denny—the commanding officer of the zone of POW camps—had occasion to visit the camp in the Cesenatico area. It was thereupon revealed that 150 persons were not held in this camp but 10,000 who were in general Ukrainians. One division of approximately 10,000 men had been formed from these Ukrainians. The division consisted of twelve regiments, including a communications regiment and an engineer regiment. The Officer Corps of this division was chosen from persons who occupied command positions in corresponding units of the German army. It also appeared that the persons who expressed the desire to return to their homeland had been badly treated and were even beaten up.²


¹ See ante, p. 259.
² For the draft entry on this subject submitted by the Soviet Delegation for inclusion in the Protocol, see document No. 1432.

No. 1165

740.631147-2545 : Telegram

The Ambassador in Italy (Kirk) to the Acting Secretary of State

SECRET

CASERTA, July 25, 1945—midnight.

3062. We have read telegram in Broad’s office from British Delegate Potsdam stating that at close July 23 [22] session Big Three meeting, Molotov complained to Eden about British POW camp Italy at Cesenatico near Ravenna where British had informed Russian representatives there were only 150 Soviet citizens held as POWs. Soviet ForMin added that when Russian officials arrived visit camp they discovered there were 10,000 Ukrainian citizens there who were being interviewed by Polish consular officials in Italy while Soviet officers were kept out. These Ukrainians were men who

[No. 1165]
had been organized into division of 12 regiments under officers who had served German Army. 665 of them indicated to Russian officers they wished return Soviet Union. Understood that both Eden and Churchill expressed doubt these were facts of case but promised Molotov they would have report made immediately and inform him soon as complete information received.\(^1\)

General Morgan cabled Potsdam in following sense: Approximately 10,000 personnel in this camp present in process being screened by USSR Mission Rome who have full access to camp. People involved mostly non-Soviet Ukrainians and include numbers Poles who, so far as can be ascertained, were not domiciled east 1939 USSR frontier. He added negotiations already under way return to Russia 665 persons referred to and be ready hand over to Russians any more who will go without use force. Morgan reminded British Delegate Potsdam he has sought urgently required ruling by British War Office as to what to be done with those people for whom use force would be necessary. He also explained that British had retained original regimental troops under their own generals for administrative reasons only.\(^2\)

\[\text{Kirk}\]

\(^1\) See ante, p. 259.

\(^2\) Churchill made a statement along these lines at the Eighth Plenary Meeting, July 24. See ante, p. 367.

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No. 1166

\[740.00119 \text{ Control (Italy)/7-2345}\]

*The Assistant Secretary of State (Dunn) to the Secretary of the Soviet Delegation (Novikov)*

**Berlin, July 27, 1945.**

Dear Mr. Novikov: I refer to your note of July 23, 1945\(^1\) with which you enclosed an aide-mémoire in regard to the British camp for Soviet citizens in the region of Cesenatico (Italy).

Since this is entirely a British matter I assume that you will approach the British separately and that your aide-mémoire was transmitted for information purposes only.

Sincerely yours,

James Clement Dunn

\(^1\) Document No. 1164.
Memorandum by the Soviet Delegation

[Translation]

[BABELSBERG,] July 30, 1945.

SOVIET CITIZENS IN ALLIED TERRITORIES

SOVIET PROPOSAL

According to the information of the Repatriation Soviet Authorities General Thorne, Commander of English troops in Norway, having quoted the British Government's order refused to deliver to these authorities citizens of the Soviet Baltic Republics, who are at present time in Norway, as well as Soviet citizens-emigrants from the Western Ukraine and Western Byelorussia, several thousand persons altogether.

Similar situation exists in Great Britain from which country 287 Soviet citizens-emigrants from the Soviet Baltic Republics and from the Western Ukraine and Western Byelorussia were not permitted to leave for their native country by the British authorities.

Drawing attention of the Government of Great Britain to these facts the Soviet Government expects that the British Military Authorities will immediately issue instructions about delivering to the Repatriation Soviet Military Authorities of [sic] all Soviet citizens-emigrants from the Baltic Republics and the Western Ukraine and Western Byelorussia.

1 Attachment 17 to the summary of the Tenth Meeting of the Foreign Ministers, July 30. See ante, pp. 497, 499.

No. 1168

The Soviet Delegation to the United States Delegation

[Translation]

AIDE-MÉMOIRE

According to reports received by the Soviet Repatriation Representatives a considerable number of Soviet citizens are being held in English and American camps for German war prisoners. The Soviet Government has information at its disposal that in Norway at the

1 The translation bears the following typed notation: "Handed to the American and British Representatives by Mr. Molotov on August 1, 1945." This aide-mémoire was submitted at the Eleventh Meeting of the Foreign Ministers, August 1. See ante, p. 550. The Russian text, however, is signed in pencil: "К. НОВИКОВ [K. Novikov] 31.7.45."
beginning of July 1945 about 1,000 Soviet citizens were being held with German prisoners of war. In various American camps for German war prisoners situated in Great Britain and the United States there are also a considerable number of Soviet citizens.

Provided with data on the presence of Soviet citizens in American and English camps for German prisoners of war, the Soviet Repatriation Representatives immediately requested the American and English authorities for permission to enter the German war prisoner camps in order to establish the identity of these persons (these Soviet citizens). They were refused permission to do so.

The Soviet Government in bringing the above to the attention of the British and American Governments anticipates that instructions will be given to the appropriate American and English authorities to permit the entry of Soviet Repatriation Representatives into the German war prisoner camps in order to establish (the identity) of the Soviet citizens.


AIR TRAFFIC BETWEEN THE UNITED STATES AND THE SOVIET UNION

No. 1169

811.7969/1-1746

The Commanding General, Army Air Forces (Arnold) to the Ambassador to the Soviet Union (Harriman) ¹

[BABELSBERG,] July 20, 1945.

DEAR AVERELL: The Joint Chiefs of Staff this morning agreed to submit the attached memorandum to the President ² inclosing a draft memorandum to Marshal Stalin concerning service to Moscow from the United States being routed through Berlin instead of through Teheran.

The United States Chiefs agreed that the continuance of the present situation is intolerable, that there is no justification for the current Soviet attitude, and that it would be desirable for the President to take a most firm position in presenting this matter to Marshal Stalin. Admiral Leahy indicated that he would pass on to the President these views.

Sincerely,

H. H. ARNOLD

¹ Printed from a copy subsequently typed in the American Embassy at Moscow.
² See document No. 1170.
TOP SECRET

WASHINGTON [Babelsberg], 20 July 1945.

MEMORANDUM FOR THE PRESIDENT

In the past we have experienced considerable delay in travel of individuals and important official mail between the United States and Moscow. This situation is now susceptible to considerable improvement if the air connection point were shifted from Tehran to Berlin.

Experience has shown that the Russians are extremely hesitant in coming to any agreements with foreign countries regarding air travel for fear of establishing precedents that might carry over into the post-war period. Efforts to obtain Soviet agreement to a Berlin connecting point have been made without success by both our military and diplomatic representatives.

There is a good likelihood that Marshal Stalin would accede to a personal request made by you, and it is recommended that you either send the attached letter ¹ to Mr. Stalin or discuss the matter with him along the lines indicated.

For the Joint Chiefs of Staff:

WILLIAM D LEAHY
Fleet Admiral, U. S. Navy,
Chief of Staff to the
Commander in Chief of the Army and Navy.

¹ Document No. 1171. This paper bears the following manuscript notation by Leahy: "Letter delivered to Stalin 20 July W. D. L."

No. 1171

TOP SECRET

[BAEBLSBERG], 20 July 1945.

MY DEAR GENERALISSIMO: At the present time American air traffic between the U. S. and the U. S. S. R. is accomplished via Teheran. From the United States point of view this is an extremely wasteful use of critically needed air transport, in addition to the time lost in travel.

The U. S. has now established a military transport service into Berlin for handling official U. S. traffic which could be made available

[No. 1171]
for official Soviet traffic as well. I therefore seek your approval to diverting American and Soviet traffic now carried through Teheran to a route through Berlin.

HARRY S. TRUMAN

No. 1172

811.706/1/7-2845: Telegram

The Chargé in the Soviet Union (Kennan) to the Ambassador in France (Caffery) 1

SECRET

Moscow, July 28, 1945—5 p. m.

[259.] Question raised in your 214 July 26 2 of possible courier route to and from Moscow via Berlin and Paris is one which has preoccupied this mission for some time, since Tehran service is definitely unsatisfactory and no other regular air facilities are yet available. (Sent Paris 259 rptd Frankfurt for Harriman 37, rptd Dept 2702)

On June 29 Ambassador Harriman discussed with Vyshinski project of regular facilities for our passengers and mail via Berlin whereby Soviet and American airlines would connect at Berlin. Vyshinski seemed to think that this would be possible and that administrative and technical details could be promptly worked out. 3 On July 7 Ambassador wrote Vyshinski specifically requesting his cooperation in speedy conclusion of arrangements for this service. 4

On July 11 Vyshinski replied by referring to a previous conversation of June 15 in which, he stated, he had drawn attention to fact that while considerable improvement had been made in air facilities on that route and while he recognized importance of matter question could not be considered sufficiently advanced for detailed consideration. He stated that he would communicate further as soon as further instructions were received from the Soviet Govt. 5

Ambassador Harriman left soon afterward for Berlin, and I have not heard anything further from Russians in his absence. I have no information as to whether subject has been discussed with Russians at Berlin. Meanwhile, Russians continue to take individual American

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1 Printed from the text received by the Department of State as telegram No. 2702. The same message was sent directly to the Office of the Political Adviser at Frankfurt for transmittal to the United States Delegation at Babelsberg.

2 Not printed. The Embassy at Paris, apparently unaware that the subject had already been raised with Stalin at the Conference, had suggested that it be raised with the Soviet Foreign Office at Moscow.

3 See vol. 1, document No. 531.

4 See vol. 1, document No. 533.

5 See vol. 1, document No. 534.
passengers from here over this route when it pleases them to do so and to refuse to take them in other cases.

It would, of course, be helpful if American aircraft could travel as far as Warsaw. I believe, however, that any proposal for regular entry of American aircraft to Poland may encounter strong opposition in certain Russian quarters.

KENNAN

No. 1173

Truman Papers

Generalissimo Stalin to President Truman
[Translation]

BERLIN, July 29, 1945.

DEAR MR. PRESIDENT: I have received your message of July 20\(^1\) concerning the change in the routing of American and Soviet shipments from Tehran to Berlin.

The Soviet Government agrees with your proposal. Instructions have been issued to the appropriate Soviet authorities to study with American representatives the technical questions connected with this proposal.

I. STALIN

\(^1\) Document No. 1171.

No. 1174

861.79900/8-145: Telegram

The Chargé in the Soviet Union (Kennan) to the Acting Secretary of State

RESTRICTED

MOSCOW, August 1, 1945—8 p. m.

2732. High-level Russian assent in principle to opening of regular air passenger facilities between Moscow and west via Berlin has I understand been obtained at Potsdam and military mission here is now making preparations to undertake with Russians technical discussions looking to inauguration of regular Russian services connecting with ours at Berlin.

To Dept 2732; rptd to Paris as 263; Stockholm as 51; Tehran as 111; Cairo as 78.

Meanwhile Russians are already moving occasional individual American passengers to and from Berlin on special request when they are so inclined; all Brit courier mails are already moving over that route under cover of an informal arrangement whereby Russians
undertook to move mails and personnel for British Reparations Delegation during period of reparations talks here.

Thomas has just returned from trial trip to Stockholm by rail and steamer. Trip took four to five days in each direction. It presents no great technical difficulties.

In view of above I wish to recommend following:

(1) That despatch of mails via Tehran be terminated at this time subject to resumption in case other routes should fail to work out.
(2) That air courier mails for this mission be sent henceforth to Paris for transmission.
(3) That list of couriers for Paris–Moscow route be communicated at once to this mission for transmission to Soviet Govt and that application be made forthwith for visa for first courier to make trip from Paris and return. (It may take some time to obtain this visa. By that time mail will presumably have accumulated in Paris).
(4) That efforts be made to route second class pouches by sea to Sweden for movement to Moscow by courier. If there is not sufficient frequency of maritime service to Sweden (I think once in six weeks would be minimum) then these pouches would also have to be handled from Paris by air as is now being done via Tehran. If Stockholm route is used, professional courier should in my opinion be available there.

I am planning to send Thomas out to Paris as courier if possible next week. He will therefore be available for consultation in Paris with respect to above matters. Thereafter, I see no necessity his return to Moscow at this time.

KENNAN
SPAIN: GENERAL POLICY

No. 1175

881.00/2-945: Telegram

The Acting Secretary of State to the Ambassador in Spain (Armour)¹

[Extract ²]

SECRET
WASHINGTON, July 16, 1945—11 a.m.
US URGENT
1200...

4. We cannot escape the conviction that the Spanish people do not as yet appreciate the weakness of their Government’s international position. It seems clear that the implications of the San Francisco resolution ³ are not adequately appreciated in Spain. We believe that it is going to be increasingly difficult for the interests of Spain and the Spanish people to be adequately represented and recognized in international affairs because of the regime which is governing Spain. All of this is, of course, directly in line with the purport of President Roosevelt’s letter ⁴ to you in regard to the nature of the

¹ The gist of this message was included in telegram No. 48 of July 18 from Grew to Byrnes (file No. 800.00 Summaries/7–1845).
² For the first part of this message, see document No. 1349.
³ See vol. I, document No. 239, footnote 1.
⁴ The reference is to the following letter of March 10, 1945, from Roosevelt to Armour (here reprinted from Department of State Bulletin, vol. xiii, p. 466):

"In connection with your new assignment as Ambassador to Madrid I want you to have a frank statement of my views with regard to our relations with Spain.

"Having been helped to power by Fascist Italy and Nazi Germany, and having patterned itself along totalitarian lines the present regime in Spain is naturally the subject of distrust by a great many American citizens who find it difficult to see the justification for this country to continue to maintain relations with such a regime. Most certainly we do not forget Spain’s official position with and assistance to our Axis enemies at a time when the fortunes of war were less favorable to us, nor can we disregard the activities, aims, organizations, and public utterances of the Falange, both past and present. These memories cannot be wiped out by actions more favorable to us now that we are about to achieve our goal of complete victory over those enemies of ours with whom the present Spanish regime identified itself in the past spiritually and by its public expressions and acts.

"The fact that our Government maintains formal diplomatic relations with the present Spanish regime should not be interpreted by anyone to imply approval of that regime and its sole party, the Falange, which has been openly hostile to the United States and which has tried to spread its fascist party ideas in the Western
relations which must necessarily exist between the United States and Spain so long as the present regime continues in power.

Repeated London as 5815; Paris 3312; Tangier 156.

GREW

(Footnote 4—continued)

Hemisphere. Our victory over Germany will carry with it the extermination of Nazi and similar ideologies.

"As you know, it is not our practice in normal circumstances to interfere in the internal affairs of other countries unless there exists a threat to international peace. The form of government in Spain and the policies pursued by that Government are quite properly the concern of the Spanish people. I should be lacking in candor, however, if I did not tell you that I can see no place in the community of nations for governments founded on fascist principles.

"We all have the most friendly feelings for the Spanish people and we are anxious to see a development of cordial relations with them. There are many things which we could and normally would be glad to do in economic and other fields to demonstrate that friendship. The initiation of such measures is out of the question at this time, however, when American sentiment is so profoundly opposed to the present regime in power in Spain.

"Therefore, we earnestly hope that the time may soon come when Spain may assume the role and the responsibility which we feel it should assume in the field of international cooperation and understanding."

No. 1176

SECRET

LONDON, July 18, 1945—5 p. m.

7241. Ambassador Mallet, proceeding Madrid Monday, expressed himself this morning as in much doubt how to handle Franco. Franco’s latest moves considered by FonOff unsatisfactory, unencouraging and it seems to be feared Franco by holding on will play Spain into Soviet hands. Garran of FonOff expects interesting developments Spanish scene in view of Soviet interest in Tangier coupled with renewed radio campaign against Franco which now features, Garran said, instructions for sabotage.

Sent Dept as 7241; repeated Madrid 189.

WINANT

1 The gist of this message was included in telegram No. 65 of July 19 from Grew to Byrnes (file No. 800.00 Summaries/7-1945).
Proposal by the Soviet Delegation

[Translation]

SPAIN

SOVIET PROPOSAL PRESENTED TO FOREIGN MINISTERS JULY 19, 1945

The Soviet Government present for consideration by the Conference the following suggestion.

In view of the fact:

1. that the regime of Franco originated not as a result of the development of the internal forces in Spain but as a result of the intervention by the principal axis-countries—Hitler Germany and fascist Italy which imposed upon the Spanish people the fascist regime of Franco;
2. that the regime of Franco constitutes a grave danger to the freedom-loving nations in Europe and South America;
3. that in the face of brutal terror instituted by Franco the Spanish people have repeatedly expressed themselves against the regime of Franco and in favour of the restoration of democratic government in Spain,

The Conference deems it necessary to recommend to the United Nations:

1. to break off all relations with the Government of Franco;
2. to render support to the democratic forces in Spain and to enable the Spanish people to establish such a regime as will respond to their will.

1 Attachment 2 to the minutes of the Second Meeting of the Foreign Ministers, July 19. See ante, p. 106.

No. 1178

711.52/7-3145: Telegram

The Acting Secretary of State to the Secretary of State

TOP SECRET [WASHINGTON,] July 31 [1945.]

168. Mr. Hull called us on the telephone this morning and discussed at some length the Spanish situation. He is a little apprehensive lest the new government in the United Kingdom may suddenly announce a new policy in regard to Spain in such a way that it may indicate that the Labor Government is setting out on a course sharply divergent from that followed by the Churchill Government and by the United States Government.

[No. 1178]
Mr. Hull pointed out that while the policy followed by the two countries in regard to Spain during the war was a joint one, it had usually been the British Government which had argued for more liberal treatment of Spain than the American Government would have been disposed to accord. He added that the British had in most cases, it was true, been able to buttress their case with sound military arguments. In particular he referred to the period in 1942 when all of us were afraid that Spain might enter the war on the side of the Axis and with German and Italian help attack Gibraltar.

Mr. Hull said that what he was really afraid of was that the new British Government might take sudden action which would place our Government in a false position vis-à-vis public opinion. We told him about President Roosevelt’s letter of last March to Ambassador Armour 1 and referred to the active support which the United States gave to the Mexican resolution at San Francisco aimed at preventing Spain’s joining the United Nations Organization. 2 Mr. Hull inquired whether it might not be desirable for us to look into the question of “tightening up” on Spain by unilateral action before the British Government undertakes some action, possibly unilateral, in regard to Spain. We told him that we understood that Spain had been discussed at your present meeting but that we had no details in regard to the discussion or any decision that might have been reached.

Mr. Hull suggested that I send you this telegram giving you the substance of our talk with him for your consideration in the light of any discussions that may have taken place at Potsdam. He says that it may very well be that there is no action which the United States Government should take at this time but that he is keenly desirous of avoiding a situation in which we might be placed in a false position.

We have given some consideration here to the possible publication of President Roosevelt’s letter to Ambassador Armour, but we had decided not to raise this question with you until after your return. I shall be glad to have the benefit of your views and any instructions you may wish to give me on the points raised by Mr. Hull.

[GREW]

1 See document No. 1175, footnote 4.
2 See vol. 1, document No. 239, footnote 1.
SPAIN

Memorandum by the Executive Secretary of the Central Secretariat (Yost) ¹

TOP SECRET

WASHINGTON,] August 8, 1945.

BERLIN CONFERENCE

SPAIN

Soviet Policy

The Soviets proposed that all the United Nations be asked to break all diplomatic relations with the Franco Government and to support the democratic forces in Spain.² They took the position that the regime of Franco was gaining strength, that it was feeding semi-Fascist regimes in other countries and that it was a menace to democratic governments both in Europe and in Latin America. They expressed the view that action short of force to oust the Franco regime would not be intervention in the internal affairs of Spain since Franco had been installed by external intervention on the part of Hitler and Mussolini. Stalin stated that it was not the fact that the Franco regime was a dictatorship to which he objected but the fact that it owed its origin to Fascist intervention. When they found the British and the United States unyielding on the question of breaking diplomatic relations with Franco, they urged that the Conference issue a statement setting forth the view of the three governments on the Franco regime. They finally accepted without much discussion the brief statement on Spain in that section of the communiqué dealing with “Conclusion of Peace Treaties and Admission to the United Nations Organization”.³

British Policy

Churchill said that his Government had a strong distaste for Franco and that he, Churchill, had been misrepresented as having been friendly to this gentleman. He opposed, however, breaking diplomatic relations with the Franco Government on the grounds that it might, in view of the Spanish character, rally the Spaniards behind Franco. Furthermore, we should be injuring our own interests if we withdrew our ambassadors. His principal point, however, was that he did not wish to interfere in the domestic affairs of any state, except those for which we had assumed a certain re-

¹ Printed from an unsigned carbon copy. For the minutes of the discussions summarized in this memorandum, see ante, pp. 122–127.
² See document No. 1177.
³ See document No. 1384, section x.
sponsibility because of the presence of Allied troops as a result of the war. He was in addition most anxious not to take any step which might lead to a renewal of Spanish civil war. He pointed out the provision in the United Nations Charter against interference in domestic affairs. He stressed the importance of British trade with Spain. He said that he would personally favor a constitutional monarchy in Spain but thought that the matter should be left to the Spanish people.

There was no discussion of the Spanish question after the change in the British Government and therefore no opportunity was afforded to obtain the views of the Labor Ministers on this question.

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4 The reference is to article 2, paragraph 7, of the Charter of the United Nations, signed at San Francisco, June 26, 1945 (Treaty Series No. 993; 59 Stat. (2) 1031).
UNIVERSITY OF KENTUCKY

LEND-LEASE; NEED FOR ANGLO-AMERICAN FINANCIAL DISCUSSIONS

No. 1180

841.24/5-2045

The Secretary of State to the President

SECRET

[Undated.]

MEMORANDUM FOR THE PRESIDENT

1. I have had prepared a new draft reply from you to the Prime Minister's telegram of May 28 regarding Lend-Lease during the Japanese War. It would assure the Prime Minister that it is your intention that deliveries should be made for the prosecution of the war against Japan in accordance with schedules and other terms prepared by Army, Navy, and F. E. A. supply officers in consultation with British representatives last November as modified in the light of changing strategic plans as well as of supply, procurement, and allocation considerations. It would remind the Prime Minister that the British dollar position remains at a reasonable level which should permit some relaxation of the exceedingly tight policy of the British with respect to dollar payments.

2. The schedules prepared last November and modified continuously in the light of changing circumstances are based solely on the efficient prosecution of the war against Japan and have been so presented to the Congress on three occasions: (1) Last November on the conclusion of the Phase II discussions and prior to the release of a statement by Secretary Morgenthau and Messrs. Stettinius and Crowley in the United States and of an address by the Prime Minister

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1 Printed from an unsigned and undated carbon copy typed subsequently. Collado, in an interview with a Department of State historian on April 5, 1954, supplied the information that this memorandum was submitted to Truman by Byrnes at Babelsberg.
2 The attached paper is identical with document No. 1181.
3 See vol. I, document No. 537, footnote 5.
4 See vol. I, document No. 537, footnote 3.
5 "Phase II" as applied to lend-lease signifies the period between the defeat of Germany and the surrender of Japan.
before the House of Commons; 7 (2) Last March and April in hearings on the extension of the Lend-Lease Act; 8 and (3) Three weeks ago in hearings on the Lend-Lease appropriation. 9

3. The munitions schedules are in three parts: ground forces, air, and naval. The ground forces schedules and conditions were originally signed on October 23, 1944, by Under Secretary Patterson and Generals Somervell and Clay. The air and fleet air arm schedules and conditions were originally signed on October 31, 1944 by Under Secretary Patterson, Assistant Secretaries Lovett and Gates, General Arnold and Vice-Admiral Fitch. The naval schedules and conditions were originally signed on November 10, 1944, by Vice-Admiral Horne. As indicated above, these schedules are constantly subject to strategic and supply decisions of the Joint Chiefs of Staff. 10

4. The non-munitions schedules 11 were worked out by Mr. Crowley with representatives of appropriate civilian and military agencies and are also subject to changing strategic and supply considerations. They include only items for the support of the British civilian population in the effective prosecution of the war against Japan, and in no case items relating to rehabilitation and reconstruction of Britain, nor items for export or export manufacture. The principal items are: (1) food; (2) raw materials (cotton, pulp and paper, timber, and synthetic rubber which is matched by reverse lend-lease of crude rubber); (3) petroleum; and (4) shipping services.

5. Mr. Crowley in the June hearings on the Lend-Lease appropriation spelled out in some detail the non-munitions or FEA schedules, and the Congress appropriated the funds as requested.

6. I believe that these schedules have been prepared and are being handled in accord with the letter of the Lend-Lease Act and with the intent of the Congress and of yourself that Lend-Lease shall be used only in the prosecution of the war against Japan. The Congress has recently had an opportunity to examine the matter in

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8 I. e., the hearings before the House Committee on Foreign Affairs, 79th Congress, 1st Session, February 7–March 6, 1945, printed under the caption, Extension of Lend-Lease Act (Washington, Government Printing Office, 1945), and those before the Senate Committee on Foreign Relations, March 28 and April 4, 1945, printed under the caption, Lend-Lease (Washington, Government Printing Office, 1945). For the text of the Lend-Lease Act, approved March 11, 1941, see 55 Stat. 31; for the extension referred to, approved April 16, 1945, see 59 Stat. 52.
9 I. e., the hearings before the Subcommittee on Deficiency Appropriations of the House Committee on Appropriations, June 13–15, 1945, printed under the caption, Second Deficiency Appropriation Bill for 1945 (Washington, Government Printing Office, 1945), and those before the Subcommittee on Deficiency Appropriations of the Senate Committee on Appropriations, June 28, 1945, also printed under the caption, Second Deficiency Appropriation Bill for 1945 (Washington, Government Printing Office, 1945).
10 The schedules referred to are not printed.
11 Not printed.
connection with the appropriation bill and has signified its concurrence by making the funds available.

7. I therefore recommend that Lend-Lease deliveries to the British Commonwealth proceed in accordance with the above, and that you reply to the Prime Minister as suggested in the attached draft memorandum.

No. 1181

841.24/5-2945

President Truman to Prime Minister Churchill

SECRET [BABBLESBERG, July 17, 1945.]

MEMORANDUM FOR THE PRIME MINISTER

I have gone into the question that you raise in your telegram of May 28\(^1\) in regard to Lend-Lease during the Japanese War. We intend to furnish Lend-Lease to the British Commonwealth for the prosecution of the war against Japan generally in accord with the schedules of requirements for the first year following the defeat of Germany and other terms worked out between British and American supply representatives in October and November 1944.

You, of course, realize that the policy I have indicated does not necessarily mean that either the munitions or the non-munitions program for the present year will be equal in total or individual items to the Lend-Lease requirements as estimated in the meetings of last fall. Those estimates were subject to changing strategic demands as well as to supply, procurement, and allocation considerations, and to the provision of the necessary funds by the Congress. Individual requisitions are of course handled by the usual administrative and allocation channels, with full discussion between our supply representatives.

In connection with the foregoing, it has come to my attention that the British gold and foreign exchange holdings are now considerably higher than was anticipated at the time of the Phase II discussions. I do not wish to propose reopening the Phase II discussions on this account. However, I would like to request that your Government relax its position with respect to permitting dollar payments on certain items, particularly those where the unwillingness of your Government to make payments leads to political criticism in the United States. For example, it would be of considerable assistance if your Government relaxed its restrictions on dollar payments for the proceeds of property sales in the Middle East and elsewhere; if the United Kingdom con-

\(^1\) See vol. 1, document No. 537, footnote 5.

[No. 1181]
continued to take its share of the burden of the military relief and UNRRA programs in Europe; and if dollar payments were allowed on other items which arise from time to time in our relationships. I urge that you provide this flexibility in the long-term interests of both your country and mine.

[HARRY S. TRUMAN]

No. 1182

800.24/8-745

Prime Minister Churchill to President Truman

TOP SECRET

[Babelsberg,] 24th July, 1945.

My dear Mr. President, I thank you for your memorandum of 17th July. I am pleased that you say the Agreement made in Washington last autumn stands. We have never, of course, regarded the munitions schedules as absolutely rigid. Indeed I am told that our munitions requirements have already been scaled down from the 2.8 billion dollars agreed last autumn for the first year of Stage II to 1.8 billion, and that all these items are within the terms then arranged. Unfortunately the Departments in Washington have recently been insisting that nothing can be delivered save what is needed for direct use against Japan, and interpreting this in the narrowest possible sense; this has reduced munitions supplies almost to [the] vanishing point, and has put us in a very difficult position.

Much as I dislike troubling you with technical questions of this kind at the present time, it is urgently necessary for us to find a solution. I attach a note on the position by the Chiefs of Staff, and very much hope that you will find it possible to let me know whether their reading of your intentions, as expressed in paragraph 1 of the note, is correct. If so, I earnestly hope you will be able to see your way to issue the necessary directive to your agencies.

The important financial questions mentioned in your last paragraph are, of course, of a somewhat technical character, and I should hesitate to enter into them deeply at this stage. But I am told that our present gold and dollar balances (1.8 billion dollars) do not exceed what was agreed as reasonable last autumn in Washington by the United States Administration; on the other hand our external liabilities, owing to the prolongation of the war, have increased to 13 billion dollars.

The Chancellor [of the Exchequer] 3 asks me to add that, both in the matter of sales of surplus in the Middle East and elsewhere and in the

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1 Printed from a copy typed subsequently in the Department of State.
2 Document No. 1181.
3 Sir John Anderson.
matter of relief to Europe, he has, in an earnest endeavor to meet your wishes, already authorised proposals to the State Department which go a long way beyond what he could have justified on any other ground. In particular we have told the State Department that we are willing to continue relief during the military period in Italy until UNRRA takes over relief there in the early autumn, and to make a further contribution to the general work of UNRRA for the next year. Both of these proposals are at present under discussion with the State Department, though the Chancellor has not yet any Parliamentary authority for this further relief expenditure.

All these questions, of course, are linked up closely with the general post-war economic arrangements which will have to be worked out before the War ends. For this purpose, I should be very glad if you would agree to our sending a special delegation to Washington as soon as convenient—say in September. It will, I am sure, be in our common interest to achieve as soon as possible agreement on these vital post-war issues, so that we can view the economic picture as a whole.

Yours very sincerely,

Winston S. Churchill

[Attachment]

The British Chiefs of Staff to Prime Minister Churchill

TOP SECRET

LEND-LEASE

MEMORANDUM TO THE PRIME MINISTER BY BRITISH CHIEFS OF STAFF

1. The Chiefs of Staff have seen President Truman’s minute of 17th July about Lend-Lease. We note that the President intends to furnish us with Lend-Lease for the prosecution of the war against Japan. We earnestly hope that it is also his intention:

(a) That troops of occupation and other British forces carrying out essential tasks, who now hold American equipment, will continue to receive such equipment and maintenance as they require:

(b) That American components needed for equipment manufactured in the U. K. and Canada will continue to be made available.

(c) That these U. S. items on which, under the agreement reached at Quebec last autumn, we are counting to supplement our own manufacturing programme of the same articles, will be supplied to us.

2. For (a) above our case is as follows:

By agreement between the two Governments, British forces throughout the world are equipped with certain items of American equipment for which there is no British counterpart, and no possibility of mainte-

nance from British sources. Consequently in the absence of American spares and replacements, such equipment is a wasting asset with the resultant loss of efficiency. Take for example the Jeep. There is no British counterpart, and therefore we maintain our Jeeps in Europe and the Middle East, but also to recondition those which are required to be sent from Europe to South-East Asia Command to take part in the war against Japan [sic]. At present, numbers of these are held up here because spare parts to refit them cannot be shipped from America owing to the freezing of Lend-Lease equipment. As regards the Royal Air Force, the Dakota is a good example. We ourselves do not produce any transport aircraft comparable to this machine; and therefore 15 squadrons, in Europe and the Mediterranean, which are, or are planned to be, equipped with this type of aircraft would be gradually demobilized or, alternatively, forced to use obsolescent Halifaxes. It is only by the use of transport aircraft that we can to some extent make good the acute shortage of our manpower in relation to our world-wide military commitments. After the war with Japan, we will be perfectly prepared to return to the Americans any U.S. type transport aircraft which it could be established by agreement were surplus to our military needs as one of the Occupying Powers. The Navy are not greatly affected since so much of the Fleet is, or will be, operating against Japan. But here again, the lack of maintenance stores for ships and equipment of U.S. type, which are now being used for minesweeping and other duties around Europe, would hit us hard.

3. The case for (b) is perhaps best illustrated by the Royal Air Force. For example the Sunderland IV is equipped with American turrets. The necessity for the continuance of the supply of these and similar components require no emphasis.

4. We now turn to (c). In accordance with the agreement reached at Quebec last Autumn, our plans have been based on the assumption that we could count on the supply from America of certain articles of equipment, such as clothing, telephone cables, etc., etc., to supplement the flow of similar articles manufactured by ourselves. Unless the Quebec Agreement, as we read it, is implemented in this respect, we are informed that all the above plans will have to be entirely recast.

5. We beg of you to take up these matters with the President as a matter of urgency. The mere fact that some American equipment has been or is being issued to us, should not limit our ordinary freedom in regard to the use and disposal of British equipment in order to give us more latitude in the disposal of British equipment.

A. F. Brooke
C. Portal
Andrew Cunningham
My Dear Mr. Prime Minister: In reply to your letter of the 24th, the Secretary of State is preparing a copy of the memorandum directive to the Joint Chiefs of Staff on the issuance of Lend Lease material. It is my intention to abide strictly by the law as passed by the United States Congress on Lend Lease, as I explained to you yesterday, although a liberal construction will be given to the distribution of those items referred to in your memorandum from your Chiefs of Staff.

I am making every effort to get a construction of the new Lend Lease renewal act so as to cause the least difficulty and embarrassment to our Allies. As soon as the memorandum to our Chiefs of Staff is finally prepared, I shall send you a copy.

Very sincerely yours,

Harry S. Truman

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No. 1184

Prime Minister Churchill to President Truman

[Extract]

Most Secret

Whitehall [Babelsberg], July 25, 1945.

My Dear Mr. President, I thank you for your letter of July 25, and I await the Memorandum on Lend-Lease which you are kindly having prepared.

Yours very sincerely,

Winston S. Churchill

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1 For the main body of this letter, see document No. 1249.
2 Document No. 1183.
No. 1185

Truman Papers

President Truman to Prime Minister Attlee

BABELSBERG, July 29, 1945.

MY DEAR MR. PRIME MINISTER: In accordance with my letter of July 25,¹ I enclose a copy of a memorandum directive on the issuance of Lend-Lease munitions, which I have today sent to the Joint Chiefs of Staff. This directive eliminates the delivery of Lend-Lease material for the occupation of Axis countries. In other respects I believe it adequately covers your expressed desires.

I have noted the suggestion in the letter of July 24,² that postwar economic arrangements be discussed in Washington, say in September. Mr. W. L. Clayton, Assistant Secretary of State, will be in London shortly for the U. N. R. R. A. Council meeting, and I have instructed him to engage in informal conversations with your people about these matters. When he has reported to me in Washington, we shall be able to decide upon arrangements for further discussions with your representatives.

Very sincerely yours, [HARRY S. TRUMAN]

[Enclosure]

The President to the Joint Chiefs of Staff ³

TOP SECRET

MEMORANDUM DIRECTIVE TO THE JOINT CHIEFS OF STAFF

Referring to my memorandum of 5 July, 1945,⁴ quoted herewith following:

"Approval of the issue to Allied Governments of Lend Lease munitions of war and military and naval equipment will be limited to that which is to be used in the war against Japan, and it will not be used for any other purpose."

¹ Document No. 1183.
² Document No. 1182.
³ Printed from the Department of State file copy (file No. 851.24/7–545), which has been compared with the signed original in J. C. S. Files. Referring to this directive, Collado, in an informal letter (file No. 740.00119 Potsdam/8–845) dated at London, August 8, to Dudley M. Phelps, Acting Director of the Office of Financial and Development Policy, stated that it "was really a unilateral affair although Sir Robert Sinclair and General Macready had several long conversations with Jack McCloy and myself". No record of these conversations has been found.
⁴ See vol. 1, document No. 542.
It may be given the following interpretation:

1. Issue of Lend-Lease munitions of war and military and naval equipment to all Allied Governments, including Latin American countries is authorized when in the opinion of the Joint Chiefs of Staff it is to be used in direct support of redeployment of American troops, or Allied troops in connection with their redeployment in support of the war against Japan.

2. Supply of Allied service units that are directly serving United States forces in any area with subsistence, supply, and equipment (except arms and ammunition) is authorized.

3. Until the receipt of further instructions issue of Lend-Lease munitions of war and military and naval equipment to the U. S. S. R. is authorized in accordance with my directive of 11 May, 1945, when in the opinion of the Joint Chiefs of Staff it can be considered as for use in the war against Japan.

4. Until the receipt of further instructions issue of Lend-Lease munitions of war and military and naval equipment to the British Empire is authorized for the direct support of redeployment of American troops, and of British troops in connection with their redeployment in support of the war against Japan, taking into account commitments for approved combined operations against Japan. In accordance with my memorandum of 17 July, 1945 to the Prime Minister, and subject to the elimination of the requirements for occupational forces in Axis countries, such issue should be generally in accord with schedules of requirements and other terms arrived at by British and American supply representatives in October–November 1944, subject to changing strategic demands as well as to usual supply, procurement, and allocation considerations and procedures.

5. Replacement and maintenance on a military Lend-Lease basis of French units which have already been equipped by the U. S. under the North African Rearmament Program, Metropolitan Rearmament Program, and Air Forces Program is authorized for subsistence until August 31, 1945, and for other items of equipment and supply until September 30, 1945.

6. Supply of maintenance items for U. S. equipment now in the possession of Allied armies may be issued for purposes other than those specifically approved in this memorandum against payment under such terms and conditions as may be determined by the State Department and Foreign Economic Administration in accordance with established procedure.

HARRY S. TRUMAN

[BABELSBERG,] July 29, 1945.

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5 Not printed.
6 Document No. 1181.

[No. 1185]
Prime Minister Attlee to President Truman

Berlin, July 31, 1945.

My Dear Mr. President, Thank you for your letter of July 29 on the subject of Munitions Supplies on Lend Lease in Stage II. While I will not disguise my disappointment that it has not been found possible to accept in its entirety our understanding as set out in the memorandum which was attached to Mr. Churchill's letter of July 24, I sincerely appreciate your desire, as stated in your letter of July 25, to get a construction of the new Lend Lease Renewal Act so as to cause the least difficulty and embarrassment to us in the prosecution of the war against Japan.

In accepting your decision I earnestly trust you will agree:—

(a) That detailed instructions applying this decision to the British and defining the portion of our Stage II requirements as now revised which under this decision can qualify for Lend Lease can be agreed as soon as possible with our representatives in Washington and

(b) That meantime the shipment of supplies destined for the Far Eastern operational theatre or for bases or lines of communication serving that theatre may go forward without delay. There are, I am told, supplies of that category which are currently available in Washington and are urgently required by us in connection with forthcoming operations.

With reference to the application of this decision to the British referred to in (a) above, I enclose a draft which, from the informal discussions which have taken place here, would seem to provide a basis for agreement in Washington consistently [sic] with your letter; and I would venture to express the hope that those who are charged with the day to day executive action under this arrangement may be given to understand your desire to place a liberal construction upon the document as finally agreed.

In particular I trust that your decision which eliminates our requirements for occupational forces will not be taken to imply that the efficient maintenance of these forces is of small importance, and that they can be stripped of equipment. The effective control of Germany and Austria is a vital matter for us, and its importance is specifically recognised in paragraph 4 of the C. C. S. final report which you and my predecessor recently approved.

1 Document No. 1185.
2 Attachment to document No. 1182.
3 Document No. 1183.
4 Post, p. 1462.
I have noted what you say about post-war economic arrangements and I shall look forward to hearing from you after Mr. Clayton has reported to you in Washington.

May I conclude by assuring you of my personal appreciation of the most helpful attitude you have adopted in dealing with this matter which is of such great importance to us.

Yours very sincerely,

C. R. ATTLEE

[Enclosure]

1. Requirements accepted under the terms of the President's letter of 29th July are to include the following:—

(i) Items included in the schedules of British requirements which are to be shipped directly to the Far East or to units outside that area but designated for that area.

(ii) Items required for bases which serve the Far Eastern operational theatre even although the bases themselves are outside of the area.

(iii) Items required for the lines of communication to the Far Eastern Operational theatre provided they are to be used in connection with the prosecution of the war against Japan.

(iv) Items required for essential military purposes in other areas and needed solely to replace similar items which, owing to the time factor, have had to be transferred to the Far Eastern operational theatre.

(v) Such proportion of the components required for the manufacture of military stores outside the United States as may be held to be required for the prosecution of the war against Japan.

Note. The first four classifications cover main items and spares, and all five classifications shall qualify for Lend-Lease irrespective of whether the items are made solely in the United States or not.

2. The requirements as defined above shall be accepted for procurement to the extent that production facilities exist and as far as possible they shall be produced in addition to the United States own needs.

3. Assignments shall be made to the British (within the total quantity accepted for procurement) where the items are in easy supply. Where, however, the items are in short supply the share of available supplies allocated to the British must continue to be conditioned by the consideration of operational priorities.

[No. 1186]
CIVIL AVIATION POLICY

No. 1187

800.796/7-1745: Telegram

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

SECRET

LONDON, July 17, 1945—10 a. m.

7182. With reference to the Embassy’s telegrams reporting various efforts on the part of the British to have steps taken which would lead to a fairly early agreement on the commercial aspects of air transport with the United States, Sir William Hildred informed the Civil Air Attaché that he hoped and expected to be able to go to the United States between now and August 2 (when the Civil Aviation Radio Conference opens) partly in connection with setting up of the Interim Council but primarily to discuss the Fifth Freedom with Pogue and Warner. The Department will observe that Sir William made this statement a day or two after the closing of the Empire Aviation conference and that the suggestion is now not that Pogue come to England but that Hildred go to the United States. He said frankly that he believed he would be more successful in obtaining Swinton’s approval for the trip, which he had been unable to do before, in view of the “progress in thinking” which the Empire Aviation Conference developed. He said he thought that the British Government would agree to an arrangement with the United States and with other countries which set forth the principle that (1) the more international air transportation the better for mankind[,] (2) all economic and other burdensome restrictions on civil aviation should be removed and (3) the principle of the Fifth Freedom in general was necessary to the successful development of air transport. He felt that where it could be demonstrated that the unrestricted exercise of short-range pickup traffic by strong nations destroyed or seriously upset some regional airlines, the Interim Council should be able to rectify such obvious injustices. He thought that the major international airlines would recognize sufficiently the value to them of prosperous feeder line services along their routes so that they would be careful not to put them out of business. Sir William stressed the necessity of keeping the foregoing strictly confidential.

WINANT

1 The gist of this message was included in telegram No. 65 of July 19 from Grew to Byrnes (file No. 800.00 Summaries/7-1945).

2 Not printed.

3 Livingston Satterthwaite.

4 Of the Provisional International Civil Aviation Organization.

5 See vol. 1, document No. 547.
The British Embassy to the Department of State

Ref: 21/334/45

AIDE-MÉMOIRE

In the Embassy's note No. 312 of June 21, it was stated that His Majesty's Government in the United Kingdom had no intention of opposing the United States Government or any other Government in the acquisition of landing rights for civil aircraft in any country. It has become evident, however, that some misunderstanding exists over the interpretation of the phrase "landing rights" and the Foreign Office think it desirable that a comprehensive statement of the present British position in regard to international civil aviation should be given to the Department.

2. His Majesty's Government in the United Kingdom adhere to the proposals which they put forward at the Chicago Conference. There they readily accepted the proposal that Freedoms 1 and 2 should be freely given and received and they will be ready to extend those Freedoms, under the Transit Agreement, to every country which is, or becomes, a party to it.

3. His Majesty's Government hoped that Freedoms 3 and 4 might be included in an international convention. While they believed that Freedom 5 would more properly be the subject of bilateral or collateral agreements negotiated between the countries concerned, they were prepared to deal with this privilege also in a multilateral convention, provided that agreement could be reached on the governing conditions.

4. Those matters on which it proved impossible to reach agreement at Chicago stand referred for further consideration and report by the Council of the Interim Civil Aviation Organization about to be set up at Montreal. It is the earnest desire of His Majesty's Government that a solution satisfactory to the United States Government, His Majesty's Government and the other interested Governments may be found.

5. In the meantime, the only alternative course in the view of His Majesty's Government is to proceed by way of bilateral agreements for the exchange on equitable terms of the privileges in question. In entering into any such agreements His Majesty's Government pro-

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1 Document No. 548, printed in vol. 1.
2 I. e., the International Civil Aviation Conference held at Chicago from November 1 to December 7, 1944.
3 For a description of the "Five Freedoms", see vol. 1, document No. 547.
pose to provide for the following matters, which they hope to see incorporated in a multilateral convention:

(a) In order to avoid uneconomic competition and reduce, and ultimately eliminate, subsidies, capacity should be settled and varied by agreement, so as to provide a reasonable equilibrium between the aggregate of services and the amount of traffic offering on a particular route and that capacity should be fairly divided between the countries concerned. His Majesty's Government also consider that any agreement should contain convenient machinery for the fixing of rates: and should provide for reference of matters in dispute to the arbitration of a well-qualified independent body.

(b) His Majesty's Government in any agreement would, where appropriate, propose the insertion of a provision on the line of the "United Nations Clause" which the United States Delegation in common with other Delegations accepted in principle at the Chicago Conference.

(c) His Majesty's Government would also, in any agreement, propose to deal with Freedom 5, in so far as it is relevant. In dealing with this Freedom they still consider that the criteria which they proposed in the final British plan at Chicago (Conference Document 4294) are the most practical and flexible that have yet been suggested. These criteria were substantially as follows:

1. The capacity to which a through airline operator would be entitled in order to carry traffic embarked in or for his own country;
2. The air transport needs of the area through which he passes judged in relation to public convenience and necessity;
3. The position of regional and local air transport development;
4. Economy of through airline operation.

6. His Majesty's Government propose to be guided by the above considerations when concluding agreements with other Governments and to give advice in accordance with these considerations when their advice is sought by other Governments.

7. In this connection it may be appropriate to draw attention to the second paragraph of the Embassy's note under reference which sets out the views of His Majesty's Government on the provision of airports for international services. Since these views are based on the Chicago Agreements it is assumed that they are held equally by the United States Government.

WASHINGTON, July 26, 1945.5

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5 This aide-mémoire bears the following manuscript notation: "Delivered to TRC Charles P. Taft by Geoffrey [Roger?] Makins 7/27/45 10:30 A. M."
No. 1189

The Secretary of State to the Chief of the Aviation Division (Morgan)

[Extract]

SECRET

WASHINGTON, August 21, 1945—6 p.m.

7101. For Stokely Morgan.

Potsdam meeting did not go into aviation questions except for statement from Secretary to Cadogan that discussion of problem was desired. . . .

BYRNEs
J[ohn] B[ell]

1 Sent to the American Embassy, London.

2 No other papers relating to this Byrnes–Cadogan conversation have been found. Concerning a Truman–Churchill conversation on this subject, however, see ante, p. 80.

ALLOCATION OF SHIPPING

EDITOR'S NOTE.—Related papers are printed under the following headings: (a) Germany—Disposition of the German Navy and Merchant Marine, ante, page 969, and (b) Japan—Basic Military Objectives, Strategy, and Policies in the War Against Japan, post, page 1299.

No. 1190

J. C. S. Files

Memorandum by the United States Chiefs of Staff

TOP SECRET

[BABELSBERG,] 18 July 1945.
C. C. S. 679/6

DISPOSITION OF CAPTURED GERMAN PASSENGER SHIPS

1. The United States Chiefs of Staff have indicated in papers of the C. C. S. 679 series an urgent need for 39,000 troop spaces in captured enemy shipping to supplement the trooplift available for carrying out redeployment plans.

2. Since the publication of C. C. S. 679/1, 2 U. S. requirements for trooplift in the Pacific have materially increased. Deficits now are serious.

3. Drastic action has been taken to augment United States resources by conversion of cargo ships, increasing air-lift, and curtailing withdrawals of United States troops from Europe. In spite of every possible ad-

1 Considered by the Combined Chiefs of Staff at their 199th Meeting, July 23. See ante, p. 293.

2 Not printed.

[No. 1190]
justment in United States resources, the trooplift situation in the Pacific will remain serious during the last half of this year.

4. The Combined Shipping Adjustment Board (CSAB) has had the matter of distribution of captured German shipping under discussion for several weeks. Certain agreements as to manning and operation have been reached, but the United States view that the seven vessels under consideration should be allocated for the carriage of U. S. troops during the current emergency period has been opposed on the British side of the CSAB pending decision by the Combined Chiefs of Staff.

5. The United States Chiefs of Staff recommend that in order to meet emergency requirements for the movement of U. S. troops necessary for forthcoming operations, the Combined Chiefs of Staff agree to the allocation for United States purposes, so long as an emergency exists, of the following seven vessels:

*Europa, Caribia, Vulcania, Patria, Potsdam, Pretoria and Milwaukee.*

6. Arrangements as to manning, operation, repair and conversion can be determined by the CSAB, and it is understood that the agreement proposed in paragraph 5 above in no way prejudices ultimate disposition of these vessels.

No. 1191

J. C. S. Files

*Memorandum by the United States Chiefs of Staff*¹

**TOP SECRET**

[CABELSBERG,] 19 July 1945.

C. C. S. 679/7

**BRITISH TROOPSHIP EMPLOYMENT IN U. S. TRANS-ATLANTIC PROGRAMS, FIRST HALF OF 1946**

1. In C. C. S. 679/1² the following offer of trans-Atlantic lift was made:

"For the six months following VE-Day the Queen Mary, Queen Elizabeth and the Aquitania will be retained on service in the North Atlantic, and this westbound capacity will be placed at the disposal of the United States authorities. This offer is subject to a proviso that fifty (50) berths should be reserved in each sailing if required by the British authorities."

¹ Considered by the Combined Chiefs of Staff at their 199th Meeting, July 23. See ante, p. 293.
² Not printed.
This assistance has been estimated at equivalent to 50,000 spaces per month.

2. Subsequent to the publication of C. C. S. 679/1, the United States has taken the following steps in an attempt to expedite redeployment to meet accelerated target dates for the main operations against Japan and for repatriation:

   a. Increased the monthly target of the Air Transport Command for trans-Atlantic lift from 15,000 to 50,000.
   b. Authorized the conversion of 100 Victory ships to carry 1,500 personnel each.
   c. Authorized the modification of 206 cargo vessels, formerly fitted for 350 personnel each, to an increased capacity of 550 personnel each.
   d. Authorized the overloading of Victory and Liberty ships by 30 percent of capacity in the Atlantic.

3. Although the measures listed in paragraph 2 above have greatly improved our ability to meet revised redeployment build-up of strategic reserve and repatriation schedules, a serious deficit in personnel shipping does exist. The United States Chiefs of Staff have recommended modification of 74 of the 100 Victory ships mentioned in paragraph 2 so that they will be suitable for trans-Pacific operation and for direct redeployment from Europe to the Pacific. It is contemplated that all captured enemy troopships, with the exception of the Europa, that can be placed in service, will be diverted to the Pacific. Even these expedients will not enable the United States to meet Pacific troop movement requirements and there will exist by the end of 1945 a backlog of between 250,000 and 300,000 for Pacific movements. The removal of the 74 Victorys from trans-Atlantic service will retard the withdrawal of U. S. forces from Europe and will reduce the availability of cargo shipping in the Atlantic by about 25 sailings per month.

4. At Argonaut it was considered desirable that the United States and British convert 200 cargo ships to troop carriers on a combined basis. Up to the present time there has been no indication of British action with respect to converting a share of the cargo vessels.

5. In C. C. S. 679/1 British requirements for the movement of troops from Europe to Canada were shown to be 195,600 during the first six months after VE-Day. Space was provided for 133,800, leaving a deficit of approximately 62,000 over a six-month period. The total British requirement for repatriation of Canadians is not known to the United States Chiefs of Staff; however, it is noted that five weeks' lift of the three British vessels allocated for United States

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3 The reference is to a recommendation contained in C. C. S. 746/11, which was approved by the Combined Chiefs of Staff at Yalta on February 8, 1945. See Foreign Relations, The Conferences at Malta and Yalta, 1945, p. 750.

[No. 1191]
trans-Atlantic troop movements would overcome the first six months' deficit.

6. The three large British passenger liners are vastly more efficient from a trooplift point of view in the North Atlantic service than in any other service. Their continued employment in this service for the repatriation of Canadian and U. S. forces will cause the greatest benefit to accrue to combined troop moving needs.

7. In order to avoid the possibility of still further invasion of United States cargo shipping resources to the detriment of combined trans-Atlantic cargo programs, it is recommended that the British trooplift represented by the two Queens and the Aquitania should be retained in the trans-Atlantic service during an additional six months for the build-up of strategic reserves in the United States and the repatriation on a combined basis of Canadian and U. S. forces.

No. 1192

J. C. S. Files

Report by the Combined Military Transportation Committee of the Combined Chiefs of Staff

CONFIDENTIAL

[BABELSBERG,] 21 July 1945.

C. C. S. 897

PROVISION OF PERSONNEL SHIPPING FOR THE REQUIREMENTS OF ALLIED GOVERNMENTS

THE PROBLEM

1. To ensure the efficient coordination of the demands for personnel shipping submitted by Allied governments, other than British and American military movements, and to provide a machinery for dealing with essential personnel movements other than those already approved.

FACTS BEARING ON THE PROBLEM

2. See Enclosure "B."

DISCUSSION

3. See Enclosure "C."

1 Submitted on the Committee's initiative, in consultation with the Combined Shipping Adjustment Board. Considered at the 201st Meeting of the Joint Chiefs of Staff, July 23 (see ante, p. 272) and at the 199th Meeting of the Combined Chiefs of Staff, July 23 (see ante, p. 284).
CONCLUSIONS

4. It is concluded that:

The following procedure will ensure the efficient coordination of all those Allied demands:

a. The current procedure for handling the United States and United Kingdom personnel shipping for military requirements will be continued. This procedure will permit on an operational basis the opportunite use of such shipping on return voyages, or legs of such voyages, to move passengers of any of the Allied governments.

b. All requirements of the Allied governments for the movement of passengers, whether military or civilian, involving definite additional commitments of shipping, whether on a short- or long-term basis, should be submitted to the United Maritime Authority (UMA) in terms of the shipping space required. The Combined Shipping Adjustment Board should confer with the Combined Chiefs of Staff as to practicability of meeting such requirements. On military requests of the other Allied governments the decision will rest with the Combined Chiefs of Staff.

c. As regards the movement of civilians for which provision is not made under a. and b. above, the matter may be referred to the appropriate agencies of the United Kingdom and United States to decide whether passenger vessels should be withdrawn at the expense of the military effort. Ships, if so allocated, would operate under the control of the United Maritime Authority on the basis of the "Agreement on Principles" but would be retained in the common pool and assigned for particular voyage employment as might be decided from time to time.

RECOMMENDATIONS

5. a. That the foregoing conclusions be approved by the Combined Chiefs of Staff.

b. That the letter in Enclosure "A" be forwarded to the Combined Shipping Adjustment Board.

[Enclosure A]

CONFIDENTIAL

DRAFT

MEMORANDUM FOR THE COMBINED SHIPPING ADJUSTMENT BOARD

1. The Combined Chiefs of Staff have been studying the problem of providing passenger carrying shipping to meet the urgent demands for the essential military operations in the prosecution of the war against Japan, and for the provision of such shipping of this type to

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2 Signed at London, August 5, 1944 (Treaties and Other International Agreements Series No. 1722; 61 Stat. (4) 3784).
meet other requirements as can be made available without adversely affecting military operations.

2. The available passenger space is insufficient to meet all the urgent requirements of the United Nations, and coordination of demands is, therefore, essential in order to determine priority and to secure shipping efficiency as well as to ensure the fullest consideration being given to all claimants.

3. The Combined Chiefs of Staff have, therefore, agreed that in accordance with the "Agreement on Principles," dated 5 August 1944, contained in the UMA report, October, 1944, the following procedure in respect of the submission of demands should be adopted by all the Allied nations:—

4. Vital demands for shipping should therefore be submitted to the United Maritime Authority for consideration.

5. The Combined Shipping Adjustment Board is requested to transmit the foregoing statement of policy to the United Maritime Executive Board in Washington and London.

[Enclosure B]

CONFIDENTIAL

FACTS BEARING ON THE PROBLEM

1. The tonnage of the Allied Nations under the control of the United Maritime Authority (UMA) is administered in accordance with the "Agreement of [on] Principles," dated 5 August 1944. As regards cargo, this agreement and the procedures of the UMA provide fully for the requirements of the contracting governments to be taken into account in the disposition of available tonnage. This report deals only with the sea transport of personnel.

2. The "Agreement on Principles" contains the following provision in Article 7 (c):

"... In order to meet the special case of military requirements those ships which have been taken up under agreements made by United States Government and/or United Kingdom Government with the other governments having authority for those ships for use as troopships, hospital ships, and for other purposes in the service of the armed forces, shall remain on charter as at present to the War Shipping Administration (WSA) and/or the Ministry of War Transport (MWT), as the case may be, under arrangements to be agreed between the governments severally concerned. (Any further ships required for such purposes shall be dealt with in a like manner.)"

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8 Here follow subparagraphs a, b, and c, which are identical with paragraphs 4 a, b, and c in the body of the Committee's report printed above, except that the parenthetical "(UMA)" in subparagraph b is omitted.
"The fact that these ships are assigned to military requirements shall not prejudice the right of the governments concerned to discuss with the central authority the measures to be taken to provide . . . 4 shipping for their essential requirements within the scope of paragraph 1 of the Agreement."

3. As regards personnel ships suitable for long sea voyage employment, estimates of military needs indicate the necessity for every suitable vessel being under the direct control (by time charter) of the WSA or the MWT. The estimates of available trooplift as submitted to the Combined Chiefs of Staff are based on the assumption that all the Allied passenger ships at present in service, or recovered as a result of liberation or capture, will be under the direct control of the Combined (Anglo-American) shipping authorities. On the other hand, it has always been recognized that there might be requests for the movement of military and civilian personnel sponsored by other Allied governments. The last paragraph of Article 7 (c) as above, expressly reserves "the right of the governments concerned to discuss with the central authority the measures to be taken to provide shipping for their essential requirements," and was inserted at the request of the other Allies to provide for this expectation. These requirements might include:—

a. Movement of military personnel of the forces under the control of these governments, or repatriation of prisoners of war, or
b. Movement of civilian passengers of high priority (including essential civilian personnel in colonial territories), displaced persons, etc.

[Enclosure C]

CONFIDENTIAL

DISCUSSION

1. The procedure of the UMA for the allocation of shipping to contracting governments depends upon the assumption that there are appropriate authorities to approve and sponsor the requirements of those governments for shipping space. As regards cargo, this is provided for by arrangements already in force. As regards other Allied personnel movements, however, there is at present no authority responsible for guiding the UMA on questions of priority, and in this class of shipping, owing to the acute shortage, it is clear that some guidance will be necessary.

2. The available personnel lift is not adequate to meet all the urgent requirements of the United Nations. Coordination of demands is, therefore, indispensable in order to determine priority and

4 Ellipses in this quotation are in the source copy.
to secure shipping efficiency. In any case, it is presumed that the appropriate chiefs of staff or theater commander would be concerned with any substantial movement of personnel. Once it is determined that a particular government has personnel movements of an approved character to carry out, it would be in accordance with the procedure of the UMA to allocate ships or space to that government for the approved movements. It should be noted that under existing conditions the combined shipping authorities are bound to advise that such arrangements can not be made on any substantial scale at present without affecting existing plans for military moves.

No. 1193

Department of the Army Files: Telegram

The Representative on the London Branch of the United Maritime Executive Board (Carnwath) and the Regional Director for the Combined United Kingdom and Continental Areas, War Shipping Administration (Monroe) to the War Shipping Administrator (Land) and the Assistant to the War Shipping Administrator (Morse)\footnote{Sent by the United Kingdom Base Section of Eisenhower's command via Army channels.}

RESTRICTED


WSA 3843–PO 1. To Potsdam for Admiral Land and Mr. Morse WSA from Carnwath and Monroe WSA signed Eisenhower ref nbr UK 46111.

WSA and MWT on basis of joint recommendation of their technical representatives, have now agreed that Milwaukee should be temporarily repaired in Germany and proceed to USA for fitting. It is hoped that vessel will be ready to leave Germany by August 10 unless unforeseen damage is discovered in dry dock. While we have agreed with MWT as to manner in which vessel is to be sailed to USA, it would be helpful if you could agree with Leathers as to whether WSA or MWT should man and operate this vessel. You will recall that this decision was deferred. If this question is decided now we will be able to determine whether U. S. or British Navy should effect seizure of vessel in prise (British Navy has not taken any action in this respect). Furthermore, it would be practical for the country who is going to be responsible for manning and operating the vessel to handle the manning and operation for the voyage from Germany to USA. If you find time to do so, therefore, it is suggested that an effort be made to arrive at an agreement as to this matter with Leathers. MWT have sent similar message to Leathers.
Department of the Army Files: Telegram

The Director of the Division of Ship Requirements, War Shipping Administration (Bissell) to the War Shipping Administration

CONFIDENTIAL

BABELSBERG, 22 July 1945.

PRIORITY

VICTORY 205. To Conway Millikan Winterbottom WSA from Bissell.

1. Leathers has definitely agreed to use of T-2 tankers for grain in U. K. import program and has cabled instructions to MWT London.

2. We have agreed that tankers should be withdrawn from grain trade if combined dry cargo shipping position eases to such an extent that use of tankers would cause dry cargo ships to be laid up.

3. Believe British could if necessary accept in U. K. all thirteen tankers available for August loading but have told them we would use some of the tankers in national programs to Continent if feasible.

4. British believe London pool position will continue to be easy in September and October and that they will be able to help meet Wash pool deficits in those months.

5. Repeated to Monroe London.

No. 1195

J. C. S. Files

Memorandum by the British Chiefs of Staff•

TOP SECRET

[BABELSBERG,] 22 July 1945.

C. C. S. 679/8

EMPLOYMENT OF CAPTURED ENEMY OCEAN-GOING PASSENGER SHIPPING AND BRITISH TROOPSHIP EMPLOYMENT IN U. S. TRANS-ATLANTIC PROGRAMS IN THE FIRST HALF OF 1946

1. The British Chiefs of Staff have considered the proposals put forward by the United States Chiefs of Staff in C. C. S. 679/6 and 679/7, and consider that these proposals, the arguments in support of them and the possible effect on combined requirements for movement of personnel are so closely linked that they should be taken together.

1 Considered by the Combined Chiefs of Staff at their 199th Meeting, July 23. See ante, p. 293.

2 Documents Nos. 1190 and 1191, respectively.

[No. 1195]
2. The British Chiefs of Staff have taken note of the steps taken by the United States to meet revised schedules for redeployment, build-up of strategic reserve and repatriation, and of the net effect of these on Pacific movements, viz., a backlog of between 250,000 and 300,000 at the end of 1945.

3. The British Chiefs of Staff will, of course, do everything possible to assist in the movement of United States forces, particularly those destined for the Pacific, but they wish to make it clear that the personnel shipping resources allotted to them in C. C. S. 679/1 fell far short of meeting British requirements for redeployment and repatriation, which had to be severely cut.

4. Further, they wish to point out that a preliminary examination of the estimated British requirements for the first half of 1946 indicates that the total British trooplift will suffice to lift only about two men out of every three, even if the current programme is achieved without a backlog at the end of the year.

5. In view of the serious position of United States movement to the Pacific, the British Chiefs of Staff are prepared to agree that the Combined Chiefs of Staff should allocate the total lift of the seven ships listed in C. C. S. 679/6 for United States employment up to 31st December 1945. In return, they ask that the United States Chiefs of Staff allocate to them a lift of 16,000 during the rest of 1945 for movement of the Canadians, many of whom have been absent from their homes for a very long time. The Canadian Government are pressing us very strongly in this matter.

6. The British Chiefs of Staff further suggest that a combined study on the lines of C. C. S. 679/1 of the combined requirements and combined resources (including captured enemy trooplift) for the first half of 1946 should be completed by mid-September if possible. The study would cover the recommendation in C. C. S. 679/7 and also the employment during the first half of 1946 of the seven ships to which reference is made in C. C. S. 679/6.

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3 Not printed.
Memorandum by the United States Chiefs of Staff

TOP SECRET
C. C. S. 679/9

EMPLOYMENT OF CAPTURED ENEMY OCEAN-GOING PASSENGER SHIPPING AND BRITISH TROOPSHIP EMPLOYMENT IN U. S. TRANS-ATLANTIC PROGRAMS IN THE FIRST HALF OF 1946

The United States Chiefs of Staff agree with the provisions of C. C. S. 679/8 except for the date of 31 December 1945 given in paragraph 5 as terminating the use by the United States of the six of the seven captured German ships destined for the Pacific.

After moving these ships great distances to the Pacific we shall be fortunate to obtain one trip from them before the 31 December date. By then our deployment will not have ended and the main operation will yet have to be undertaken. It would be uneconomical to remove this shipping from the Pacific after just one run. When ships may be withdrawn from the Pacific, less adaptable shipping such as the converted Victory ships should be first transferred back to the Atlantic. The lift of these ships of course will be included in the proposed review of personnel shipping to be completed by mid-September.

Accordingly, the United States Chiefs of Staff recommend that paragraphs 5 and 6 of C. C. S. 679/8 be modified as indicated in the Enclosure.

[Enclosure *]

5. In view of the serious position of United States movement to the Pacific, the British Chiefs of Staff are prepared to agree that the Combined Chiefs of Staff should allocate the total lift of the seven ships listed in C. C. S. 679/6 for to the United States employment up to 31st December 1945 for employment as follows: the Europa until 31 December 1945; and the Caribia, Patria, Vulcana, Potsdam, Pretoria and Milwaukee until 30 June 1946. In return, they ask that the United States Chiefs of Staff allocate to them a lift of 16,000 during the rest of 1945 for movement of the Canadians, many of

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1 Considered by the Combined Chiefs of Staff at their 199th Meeting, July 23. See ante, p. 293.
2 Document No. 1195.
* Words underlined are proposed additions. Words italicized are proposed deletions. [Footnote in the original.
3 Document No. 1190.
whom have been absent from their homes for a very long time. The
Canadian Government are pressing us very strongly in this matter.

6. The British Chiefs of Staff further suggest that a combined
study on the lines of C. C. S. 679/1 of the combined requirements
and combined resources (including captured enemy trooplift) for the
first half of 1946 should be completed by mid-September if possible.
The study would cover the recommendation in C. C. S. 679/7 and
also the employment during the first half of 1946 of the seven ships
to which reference is made in C. C. S. 679/6 subject to the provisions
of paragraph 5 above.

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4 Not printed.
5 Document No. 1191.

EDITOR’S NOTE.—For the final Conference texts on this subject,
as included in the Report by the Combined Chiefs of Staff to the
President and the Prime Minister, see post, pages 1467, 1472.

COMBINED CHIEFS OF STAFF MACHINERY

No. 1197

J. C. S. Files

Memorandum by the United States Chiefs of Staff

TOP SECRET [BABELSBERG,] 19 July 1945.
C. C. S. 891/1

COMBINED CHIEFS OF STAFF MACHINERY
AFTER THE WAR WITH JAPAN

With reference to C. C. S. 891, the political relationship of the
United States with other nations in the period following this war is
not yet sufficiently defined to permit the United States Chiefs of Staff
to discuss at this date the post-war relationships between the respective
military staffs.

The United States Chiefs of Staff will bring up for consideration
the problem of the most effective military machinery to be used from
now forward and prior to the end of the Japanese war.

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1 Noted by the Combined Chiefs of Staff at their 196th Meeting, July 19. See
ante, p. 113. Cf. ante, p. 80.
2 Document No. 550, printed in vol. I.
3 This paragraph refers to item 5, paragraph 6, of the minutes of the 195th
Meeting of the Combined Chiefs of Staff, July 18. See ante, pp. 86, 113.
MEMORANDUM FOR THE PRESIDENT

In 1942 the munitions resources of the United States and the United Kingdom were insufficient to meet the requirements of the United Nations forces. Therefore, President Roosevelt and the Prime Minister agreed to pool munitions resources and to create Munitions Assignments Boards in London and Washington\(^1\) to assign finished war material to the several United Nations in accordance with strategic needs.

From the military point of view, the present combined munitions assignment procedures are no longer necessary or desirable. Combined munitions resources are now generally more than sufficient to insure the success of combined strategy. The British, who are converting many of their own munitions facilities to civilian production, are in a position, through their membership on the Munitions Assignments Board, Washington, to object to the assignment of U. S. munitions to other nations—a matter of primary United States concern.

In the absence of the Munitions Assignments Board decisions on transfers or retransfers of munitions and on the assignment of captured equipment could be made by the Joint Chiefs of Staff or appropriate British agencies. Either nation would still retain the right of appeal to higher authority.

It is recommended that you seek the agreement of the Prime Minister to abolish the Munitions Assignments Board, Washington. A suggested form of a memorandum for the Prime Minister is attached.\(^2\) Consultation with the Prime Minister is believed appropriate in view of the agreement between him and President Roosevelt.

It is further recommended, however, that if the Prime Minister will not concur you should nevertheless issue an appropriate Executive Order abolishing the Munitions Assignments Board, Washington, and transferring its functions to the Joint Chiefs of Staff.


\(^2\) The attached draft was dispatched without change on July 23. See document No. 1199.

[No. 1198]
If the British Government should desire to abolish the London Munitions Assignments Board, its existing function of assigning enemy equipment captured in Europe should be retained until new machinery now contemplated to perform this function has been established and is operative.

For the Joint Chiefs of Staff:

WILLIAM D. LEAHY
Fleet Admiral, U. S. Navy,
Chief of Staff to the
Commander in Chief of the Army and Navy.

No. 1199

President Truman to Prime Minister Churchill

TOP SECRET

[BABELSBERG,] 23 July 1945.¹

MEMORANDUM FOR THE PRIME MINISTER

In 1942 when the munitions resources of the United States and the United Kingdom were insufficient to meet the requirements of the United Nations forces you and President Roosevelt agreed to pool our munitions resources and to create Munitions Assignments Boards in London and Washington to assign finished war material to the several United Nations in accordance with strategic need.

Since the munitions resources of the United States and the United Kingdom are now generally more than sufficient to insure the success of combined strategy, I consider that the Munitions Assignments Board, Washington, no longer serves a useful purpose. I therefore propose to abolish this Board and would appreciate your concurrence in this action.

HARRY S. TRUMAN

¹ The date appears as a manuscript addition, in brackets, on the source copy.
Memorandum from the Prime Minister to the President
Dated about 31st July, 1945

I have received your memorandum of 23rd July, 1945, in which you propose to abolish the Munitions Assignment[s] Board, Washington.

2. As you say, the Munitions Assignment[s] Boards in Washington and London were established to operate the common pool of production for war purposes of the United States and Great Britain. Their duty was to study the combined resources and to assign the output under directives from the Combined Chiefs of Staff in accordance with strategic needs. It was the wholehearted pooling of resources which governed the production programmes of the two countries and led to the concentration of production of certain items in one country or the other. Under the Boards was established a considerable machine for the collection and presentation of information, and for carrying out the detailed work of assignment.

3. I am in full agreement that the end of the German war and the consequent reduction in the scope of combined business in the munitions assignment field requires a scaling down of the machinery. I am not sure whether your proposal is merely to abolish the Boards while leaving the subordinate committee structure more or less intact, or whether you had in mind the abolition of the whole of the combined munitions assignment machinery. There are a number of considerations which require to be taken into account before any drastic reduction is decided upon. The following are some of these considerations:

(a) While it is true that in general the combined munitions resources of the United States and the United Kingdom are sufficient, there is still a number of items which are in overall short supply.

1 Printed from a mimeographed copy of a text supplied by the British Joint Staff Mission at Washington in September 1945. The index to the folder in which the source copy was found contains the following entry: “5. About 31 July 1945. Text of a memorandum prepared by Attlee regarding Munitions Assignment[s] Board, in answer to the President’s memorandum to Churchill of 23 July. The President states that he received no memorandum from Attlee on this subject but he discussed it with him. The text as herein given was furnished by the British Joint Staff Mission in Washington in September, 1945.”

2 Document No. 1190.
(b) This being so, it would appear that some machinery is necessary to apply operational priorities to the distribution of the items which are in short supply. This machinery must give effect to the strategic decisions of the Combined Chiefs of Staff. There must be provision for reference to the Combined Chiefs of Staff when there is disagreement.

(c) It would seem desirable that arrangements for the interchange of information about the availability and disposal of munitions should be maintained.

(d) There is a good deal of work to be done in ascertaining the status of Lend-Lease and British surpluses and on the disposal of these surpluses. This is at present being carried out through the medium of the Sub-Committees of the Boards.

(e) The Boards have a responsibility in connection with the disposal of captured war material which is still a considerable problem.

(f) The relation to the Boards of the Allies and Dominions requires study.

4. The above considerations prompt me to suggest that before any decision is taken it would be desirable to know in more detail the exact scope of your proposal, and how you would propose that the remaining functions of the assignment machinery should be carried out. Perhaps the best plan would be for the American and British representatives in Washington to be given this interchange of memoranda and to be instructed to work out, in consultation with any other interested parties, concrete proposals for the future of the Assignment Boards and their subordinate structure, which could then be presented for our approval. A similar examination could be carried out in London and the scope of the London machinery could be adjusted to conform to what is eventually decided about the machinery in Washington.
YUGOSLAVIA

IMPLEMENTATION OF THE YALTA DECLARATION ON YUGOSLAVIA

No. 1201

740.00119 Potsdam/7-1745

The Secretary General of the British Delegation (Hayter) to the First Secretary of Embassy in Portugal (Cannon)

F. O. 11 (1) Berlin, July 17th, 1945.

Dear Cannon, It is very good news that you are here as the expert on South-east Europe. I am supposed to be the same for our delegation, and we must get together soon.

Meanwhile I enclose a copy of a telegram from our Ambassador at Belgrade,\(^1\) which you may find interesting. The reference in the last paragraph is to the proposal, which your Embassy has I think also reported,\(^2\) that this meeting should issue a reminder that the Three Powers expect the Tito-Šubašić agreement\(^3\) to be fully carried out in the near future. I know that Mr. Eden is very anxious to get this through, and perhaps we could meet and discuss it. Could you give me a ring?

Yours very sincerely,

W G Hayter

[Enclosure]

Telegram from His Majesty’s Ambassador at Belgrade,
11th July

It was recently reported in Belgrade press that it was intended to hold in the near future a congress of national liberation fronts of various states in Yugoslav Federation. The aim of the congress would be to weld these national liberation fronts into a national front for the whole of Yugoslavia.

2. I heard this morning that Dr. Šubašić had been invited to become a member of Steering Committee of this congress and I took an opportunity to question him about it in the course of private conversation this afternoon.

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\(^1\) R. C. Skrine Stevenson.

\(^2\) See vol. 1, document No. 553.

\(^3\) See Foreign Relations, The Conferences at Malta and Yalta, 1945, pp. 251-254.
3. He confirmed to me that he had received such an invitation. He had, however, not yet returned a reply. He intended to discuss the matter with M. Kardelj and to take the line that if he were being invited as an individual he could not accept. This would mean that he was merely being used as a figurehead. If however he were permitted first to call a meeting of the executive of Croat Peasant Party and secure a mandate to represent the party he would then be in a position to take a constructive part in the congress. A possible alternative might be that he should meet Dr. Maček, ascertain his views and seek a mandate of some kind from him.

4. The idea at the back of Dr. Šubašić’s mind in this is that a national front which would be a coalition of the parties each having a separate existence, would probably be the best solution of the country’s political problems; even though a dominant position in such a coalition was held by the Communist party.

5. As he sees the position the present régime have all physical power in their hands. A national front is therefore inevitable. The only alternative to it would be civil war. This would only be possible with foreign armed assistance which is out of the question. It is equally inevitable that a transitory rôle in political life of this country will be played for some time at any rate by the Communist party. The problem therefore is to prevent the national front from becoming a thinly disguised one-party régime. This could be done by creating it as a true coalition of the parties even though Communist party’s influence in the coalition was preponderant.

6. It will be interesting to see whether Dr. Šubašić’s terms for his participation in the congress are accepted by Marshal Tito. If so it may be that some kind of a coalition will emerge from proposed congress. Kardelj assured him that after the congress complete freedom of the press and of political activity would be granted. The present idea is that the congress should precede meeting of broadened AVNOJ.

7. It is Dr. Šubašić’s impression that at the moment leaders of this régime are manoeuvring and waiting for the results of the Big Three meeting. He is therefore doubly anxious that some kind of a reminder about Tito–Šubašić agreement should issue from it.
YUGOSLAVIA

No. 1202

Proposal by the British Delegation

YUGOSLAVIA

British Proposal Presented to Heads of Governments
July 19, 1945

At the Crimea Conference on February 10th the Heads of the three Governments discussed the Yugoslav question and agreed to recommend to Marshal Tito and Dr. Šubašić that the agreement between them be put into effect and a new government formed on the basis of the agreement. 

2. The three Governments have thus endorsed the Tito–Šubašić Agreement, with its guarantees of the basic principles of democratic liberties, in particular personal freedom, freedom from fear, freedom of religion and conscience, freedom of speech, press meetings and associations, and the right of property and private initiative, and with the promise of a democratic election within three months of the Yugoslav liberation.

3. Doubtless owing to war conditions, the principles set out in the Tito–Šubašić Agreement have not been fully carried out. In view of the declaration issued at Yalta, it is desirable that, at the close of the present meeting, the three Heads of Governments should issue a statement recalling the fact that they had given recognition to the Yugoslav Government on the basis of the Yalta Agreement and the Tito–Šubašić Agreement, which they expect to be fully carried out in the near future.

1 On the file copy this is a manuscript heading by Yost. See ante, pp. 118, 127.
3 See document No. 1417, section vii.

No. 1203

800b.00/7-2745 : Telegram
The Chargé in Yugoslavia (Shantz) to the Acting Secretary of State
SECRET

US URGENT

319. After week of rumors that Šubašić, Grol and Šutej would resign, Cabinet meeting was called Wednesday and Ministers were presented with four new laws for their approval. One concerns

1 The gist of this message was included in telegram No. 157 of July 30 from Grew to Byrnes (file No. 800.00 Summaries/7–3045).
2 July 25.
enlargement of AVNOJ, another Constituent Assembly, third elections and fourth voting procedure. Šubašić countered by proposing a committee to study the laws and make recommendations to Cabinet. After initial opposition Tito accepted proposal and immediate Cabinet crisis was averted. Members of Committee are Kardelj Chairman and Grol, Kosanović, Šutej, Quo [sic] Hebrang and Prodanović.

Šutej told Fraleigh today that Committee has worked until after midnight for two days on first problem[.] enlargement of AVNOJ. Problems posed by new law are to find 125 new members and apportion them among political parties of National Liberation Front. Enlargement program cannot be carried out from Belgrade alone and Šutej proposes to go to Zagreb tomorrow to look for candidates. Meanwhile, he says Communists want lion’s share and will agree to nothing which will reduce their power, the crux of the matter in final analysis. Committee's activities will probably force postponement of AVNOJ meeting another ten days.

Upon rumors of resignations of minor Cabinet members like himself Šutej said key to opposition is Šubašić who signed the basic agreement with Tito. Šubašić told British Ambassador regarding rumors he would resign that even no [of?] political battle is not time for resignations. Šutej says Šubašić is not strong enough to bring about any important changes unless western powers back him in demanding fulfillment of Yalta Agreement and granting of peoples freedoms.

For moment activities of new committee leave political situation open. Crisis will probably recur in about ten days. Meanwhile, Šutej says everyone expects an announcement from Potsdam for they are sure Yugo is on conference agenda. Result of British elections has increased confusion in ranks of non-Communists.

SHANTZ

No. 1204

800h.00/7-2945: Telegram

The Chargé in Yugoslavia (Shantz) to the Acting Secretary of State

SECRET

Belgrade, July 29, 1945—2 p. m.

US URGENT

323. Talks with Vice Premier Grol yesterday evening following those with Šutej (remytel 319 of July 27?) throw more light on Wednesday's cabinet meeting and present critical situation.

At what was first full cabinet meeting in nearly three months Grol led attacks on new laws and reiterated what (sent Dept, rptd

1 The gist of this message was included in telegram No. 157 of July 30 from Grew to Byrnes (file No. 800.00 Summaries/7-3045).

2 Document No. 1203.
Caserta and Moscow) he had told Tito month ago (remytel 255 of July 10\textsuperscript{3}), that his participation in government and support of his party would depend on govt's action on enlargement of AVNOJ in spirit of Yalta, free elections and freedoms of press and speech. He pronounced new laws unsatisfactory and requiring study by the Minister[s], so many of whom had been kept uninformed during past three months. Šubasić, "showing more fight than usual," then came to Grol's support and proposed committee to study laws. Meeting lasted five stormy hours. Part of Communists was taken by Tito and Kardelj, others having apparently been instructed by Tito to avoid a pitched battle.

Some of main points taken up by Grol were: 1. One hundred twenty members of AVNOJ, of whom forty from 1938 Parliament, rest divided among parties, is considered insufficient number; 2. New electoral law permits exclusion of approximately half of electorate on ten possible grounds ranging from alleged opposition to National Liberation Front to alleged support of Mihailović; 3. Nomination of candidates by local NL committees is not nomination by people ... but nomination by Communists who control so-called People's Committees ...; 4. New electoral law based on King Alexander's 1931 law makes Opposition's activities virtually impossible by requiring all parties in election to be represented in all electoral districts of country (it's impossible for instance for Serbian Radical Party be represented in Slovenian district, Slovenian Clerical Party in Macedonian districts); 5. Parties cannot find candidates without freedoms of travel, campaign and press; 6. Govt's proposal of paper ballot unfair to large ignorant section of electorate, rubber ball system preferred (re my despatch 70 of June 26\textsuperscript{5}); 7. Front cannot call itself representative so long as it excludes most of Serbian Radicals and Maček's Party. (Next day Tito sent his car to Knjaževac near Nish to bring Aca Stanojević, aged 94[,] nominal head of Radicals to Belgrade. Politika July 27 carried photograph and story on page one of meeting, but Grol is informed nothing of importance was discussed. Meeting was apparently staged to give impression that Radicals support Front. A few individuals do, but party, largest in Serbia, does not. This was confirmed to me by Lazar Marković, a Radical leader).

Since cabinet meeting Grol has worked with Committee studying laws until late every night. He has found Hebrang reasonable, but Kardelj and other Communists make it clear that no compromise is intended which will effect [affect] their iron control. Therefore,

\footnote{Document No. 554, printed in vol. x.}
\footnote{There is a garble at this point in the text as received.}
\footnote{Not printed.}

[No. 1204]
committee offers no hope. Grol says there are now only two possibilities for success: 1. Pressure on Tito from outside, i.e., from America and England with or without Russian approval; 2. Resignation or threat of resignation of both Grol and Šubašić with others probably joining them. Like Šutej, Grol thinks decisive results depend on action of Šubašić and he hopes America and England will take this opportunity to remind Šubašić, who is wavering, that he is responsible and must be firm. Grol is certain he and Šubašić together could bring severe blow to Tito’s regime and perhaps force an end of terror and bring about some relief for people. Without Šubašić Grol knows his actions will have only minor results but he is prepared to act anyway and take consequences.

It seems to this Embassy that there is now a brief and perhaps a last opportunity for the great powers, especially ourselves and British, to manifest our support for the principles for which Grol and a few others in govt are still fighting. If Grol resigns and Šubašić drifts along with Tito on critical laws now pending it will be more difficult than ever for us to relieve a situation which is becoming daily more oppressive and in which we would seem to have a responsibility to the people.

Dept may wish repeat to Berlin for info of American representatives at Potsdam.

SHANTZ

No. 1205

740.00110 (Potsdam)/8-845

Memorandum by the Executive Secretary of the Central Secretariat (Yost)¹

[Extract ²]

TOP SECRET


There was comparatively little discussion of Yugoslavia at the Conference. The British presented a proposal ³ having in view the implementation of the Yalta Declaration in regard to Yugoslavia. In commenting on this proposal Stalin said that according to his information the Yalta Agreement was being carried out. He furthermore refused to discuss the matter unless Yugoslav representatives were called before the Conference in order to state their point

¹ Printed from an unsigned carbon copy. For the minutes of the discussions summarized in this memorandum, see ante, pp. 127-129.
² For the other paragraph of this memorandum, see document No. 1087.
³ Document No. 1202.
of view. When the President refused to agree to calling in the Yugoslavs, the British withdrew their paper, though not before Churchill had remarked that the Yalta Declaration on Yugoslavia had been drafted largely by the Americans and he would have thought that they would have wished to insure that it was carried out.

ATITUDE ON CIVIL ADMINISTRATION IN VENEZIA GIULIA

No. 1206

J. O. S. Files: Telegram

The War Department to the United States Delegation

SECRET

WASHINGTON, 25 July 1945.

PRIORITY

WAR 38253. CCAC is considering answer to request \(^1\) from SACMed \(^2\) which refers to Belgrade Agreement of 9 June \(^3\) regarding Venezia Giulia. Paragraph 3 of agreement provided that use will be made by AMG of any Yugoslav civil administration which is already set up and which SACMed thinks is working satisfactorily. SACMed has taken the position that this does not require him to make use of committees and subcommittees of liberation set up by Yugoslavs in various administrative fields which have been exercising executive power. He asks approval of this position, which Yugoslavs oppose.

US side of CCAC has previously cleared a proposed answer approving this position. British, saying that affirmative instructions should be given, now propose to add additional paragraph reading as follows:

"You should as far as possible administer the area, on following lines:—Yugoslav system of national committees should be eradicated in whole area, and Italian system reinstalled. In predominantly Yugoslav towns and villages, token Yugoslav administration might be retained and national committee used in advisory capacity. In predominantly Italian towns, particularly Trieste, firmness should be used to sweep away Yugoslav system."

State Department working level has approved British suggestion, but War and Navy representatives are reluctant to concur, though they recognize primary State Department interest.

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\(^1\) Document No. 572, printed in vol. 1.

\(^2\) Field Marshal Sir Harold Alexander.

\(^3\) For the text of the agreement referred to, an Anglo-American-Yugoslav agreement "respecting the provisional administration of Venezia Giulia" signed at Belgrade, June 9, 1945, see Executive Agreement Series No. 501; 59 Stat. (2) 1855. For the text of article 3, see vol. 1, document No. 558, footnote 4.
Mr. Lovett requests your views be obtained. He feels additional paragraph should be eliminated or at least word “eradicated” should be changed to “discontinued” and last sentence should be eliminated.

No. 1207

Prime Minister Tito and the Yugoslav Minister of Foreign Affairs (Šubašić) to President Truman

EXCELLENCY[.]: We take the liberty of addressing ourselves to you in a matter which presses heavily upon our peoples, with the conviction that it will draw your attention.

On the 17th of July of this year, the government of Democratic Federative Yugoslavia through their Minister of Foreign Affairs sent a verbal note no. 1938 to the Embassies of Great Britain and the United States of America in Belgrade. The content of this note concerns the Civil Administration of that part of Julian Venice which is now under Allied Military Administration.

In the enclosed note we particularly stressed that the Agreement of the 9th of June, 1945, which was signed in Belgrade by the Ambassadors of the United States of America and Great Britain and by the Yugoslav Minister of Foreign Affairs, contains in its 3rd article the following clause:

“Use will be made of any Yugoslav civil administration which is already set up and which in the view of the Supreme Allied Commander is working satisfactorily”.

This clause of the said Agreement rests upon the fact that the territory which is now under Allied Military Administration, is liberated territory, inhabited mostly by a population which has given proof of its limitless devotion to the Allied cause, and which is not merely occupied territory. The elevated principles proclaimed by the great Allies during the course of the war not only command the respect of democratic institutions in the liberated regions but also the active help of the Allies in order to create and, where they already exist, to develop these institutions.

During the sanguinary four years struggle against Fascism in which, in addition to the Slovene inhabitants, Italians from Julian Venice participated in great numbers, democratic institutions arose and developed and attained their highest degree only when Fascism was

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1 Enclosed in despatch No. 86 from the Chargé in Yugoslavia (Shantz) to the Secretary of State. This message was also summarized in a telegram from Shantz to the Acting Secretary of State. See document No. 1209.
2 Richard C. Patterson, Jr., and R. C. Skrine Stevenson, respectively.
crushed and the people had full opportunity of building up their
democratic administration.

With various measures undertaken by the Allied Military Au-
dority, the democratic development of Julian Venice was brought to a
stand-still. In abolishing some democratic institutions, reinstating
the legal order based on laws which were in force up to the 8th of
September, 1943, the decrees issued by the Allied Military Authorities
resulted in the substitution of an administration based upon demo-
cratic principles, by a regime in which fascist laws, fascist institutions
and fascist administrators prevail.

The Allied Military Authority in Julian Venice, inasmuch as it was
not satisfied with the work of particular organs of the democratic
institutions and democratic procedures of changing those organs and,
with the approval of the people, of appointing to corresponding posts
such persons as would most closely collaborate with the Allied Military
Administration.

Therefore, we propose that democratic elections be carried out in
this part of Julian Venice which is under Allied Administration, where-
by the organs of a civil administration would be chosen in accordance
with the democratic aspirations of the people.

It is with the greatest confidence that we await the Peace Con-
ference, which is to bring the final decision on the question of Julian
Venice. But, in the meantime, interpreting the wishes of the people
concerned—Slovenes as well as Italians—we should desire that to this
afflicted, heroic people be returned those liberties which they won
through their own sacrifices, so that they may, pending the final
decision of the Peace Conference, live under a national administration
of their own choosing and creation, in close collaboration with the
Allied Military Administration.

We beg your Excellency to take this matter into consideration and
bring such a solution as will be satisfactory to the people of Julian
Venice.3

Please accept [etc.]

J B TITO

DR IVAN ŠUBAŠIĆ

BELGRADE, July the 25th 1945.

[Enclosure]

No. 1938

NOTE VERBALE

The Ministry of Foreign Affairs of Democratic Federative Yugo-
slavia present their compliments to the United States Embassy, and

3 No reply was made to this communication until after the close of the Berlin
Conference.

[No. 1207]
have the honour to communicate, on behalf of the Yugoslav Government as follows:

As known to the United States Government, at a Conference held in Devin (Duino), following the Beograd [Belgrade] Agreement of June 9, 1945, no agreement was reached regarding the Civil administration in the territory of Julian March which came under Allied Military Government, and so the matter was left to be decided upon through diplomatic channels.

According to Art. 3 of the Beograd Agreement of June 9, 1945, Allied Military Government will in the territory of the Slovenian Littoral and Trst [Trieste] make use of any Yugoslav Civil administration which is already set up, and which in the view of the Supreme Allied Commander is working satisfactorily.

The Yugoslav Government are confident that this disposition of the said Agreement can be interpreted only to the effect that Allied Military Government will make use of the Civil authorities and ascertain from the practice during the work, whether same fulfill their administrative duty satisfactorily to the people who elected them. If the Military Government get the opinion that certain organs of the people’s Authority were not satisfactory in carrying out their duties, they will be able to request the replacement through democratic proceedings.

This interpretation was communicated orally by the Yugoslav Government to the U. S. and British Ambassadors during the Conference and before signing the Agreement of June 9, 1945; same view of the Yugoslav Government in the premises was pointed out also by Lieut. General A. Jovanović, Representative of the General Staff at the Devin (Duino) Conference.

This seems to be the only logical interpretation in view of the following two facts:

(a) That the status of a liberated territory was recognised to the area in question;
(b) That the Allied Countries the forces of which occupied this territory are democratic States.

Allied Military Government do not comply with dispositions of the Agreement signed in Beograd on June 9, 1945, which will be seen from the following:

(a) They expressively [expressly] stated in their first Proclamation that all laws which had been in vigour until September 8, 1943 would

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4 i. e., the conference which negotiated the Duino agreement of June 20, 1945. See vol. I, document No. 561 and footnote 2 to document No. 560.
again be effective. Since the organisation of Authorities too, is a matter laid down by laws, through this Proclamation there were reinstated all Authorities organised to Mussolini's laws, and which were effective up to September 8, 1943 in that territory. At the same time that means a formal abolition of those Civil authorities which were not organised on the grounds of Mussolini's laws, but which were built up by the population of that territory during its democratic fight side by side with United Nations, in opposition to Fascist laws and in opposition to the form and contents of Fascist Authorities.

If there had been an intention of compliance with the Beograd Agreement, it should have been expressly emphasised in the Proclamation that all laws concerning the organisation of Civil Authorities and their functioning were considered void since Civil Administration had been taken over by National Committees recognised by Allied Authorities.

(b) Allied Military Government deprived People's Courts of their authority of judging and passing of sentences immediately after assuming control over the area. Owing to their character Military Authorities seem not [to] be adequate to enquire into personal qualities of judges having the confidence of an overwhelming majority of the population over which they exercise judicial Authority.

(c) With a number of practical dispositions Allied Military Government completely paralysed in their work the Departmental National Liberation Committees (Pokrajinski Narodno-oslobodilaci odbor), and all its dependent organs.

The Ministry of Foreign Affairs of Democratic Federalist Yugoslavia have the honour to draw the attention of the United States Government to the fact that the reinstatement of hated laws which were effective until September 8, 1943, caused a dissatisfaction and incitement among the people.

These same people which rose into fight with the parole [sic] of destroying Fascist laws and Decrees which are nothing but an instrument by means of which Fascism is oppressing people and keeping them in chains; which suffered heavy sacrifices in blood and torments in their fight for democratic liberties; these people had now to witness how Allied military Authorities are reintroducing laws which they had overthrown through their fight.

At the beginning of exercising their authority Allied Military Government abolished and dissolved the National Militia, the executive branch of the existing Civil Administration's Section of Internal Affairs.

With such a decision Allied Military Government acted in contravention of the Beograd Agreement of June 9, 1945 since they had had no time, in fact they had not even tried to see whether or not the work of the National Militia was satisfactory: on the other part they completely unable [sic] the people's Authorities to work successfully since without their executive branch they could not carry out their duty intrusted to them by the people.
We beg leave to point out that therewith the portion of Julian March under the jurisdiction of Allied Military Government has been placed in a position which is worse than that one of occupied enemy areas where Police Units of existing Civil Authorities are effective for the purpose of maintaining public order and are also allowed to wear light arms while on duty.

The Yugoslav Ministry of Foreign Affairs [wishes?] to emphasise as follows;

(1) The Yugoslav Government are very much interested in the life and destiny of people living in the territory of Julian March owing to the fact that a great majority of the population in that territory are of Yugoslav nationality, i.e. of nationals not of an occupied country, but of Yugoslavia, an allied country, while the majority of the remaining part of the population consider the new Yugoslavia as the country towards which they tend economically and culturally. This has been proved also by the fact that the population of this territory took a most active part in the fighting against the Italian and German Fascism under the Command of Supreme Headquarters of the National Liberation Army of Yugoslavia, suffered in that fight great sacrifices for the victory of freedom loving people, and built up in the same fight the National Liberation Committees as the only organs of a democratic Civil Authority possessing the full support of the population.

(2) Through the denial of a Civil authority having the full confidence of the people it is just this population who had [suffered?] for the Allied aims which is now being placed in a position even worse than that one of the population of occupied enemy countries: therewith a dissatisfaction has been caused among the people of the Julian March and also among the people of Yugoslavia, which could only hinder good allied relations between our two countries, while it is the greatest desire and endeavour of the Yugoslav Government to deepen and to fasten our allied relations.

The Yugoslav Ministry of Foreign Affairs are confident that the United States Embassy will communicate the view of the Yugoslav Government to their Government, and that the United States Government will give necessary [instructions?] to their military authorities that the Agreement of Beograd signed on June 9, 1945 be interpreted in this spirit, and that it be particularly borne in mind that in question is an area of a special character to which the status of a liberated territory has been recognised in a Memorandum of Allied Force Headquarters Representatives of June 16, 1945, which was also the tendency of the Signers of the Beograd Agreement of June 9, 1945.

The Ministry of Foreign Affairs of Democratic Federative Yugoslavia avail themselves [etc.]


* Not printed.
No. 1208

Department of the Army Files: Telegram

The Assistant Secretary of War (McCloy) to the War Department

SECRET

BABELSBERG, 26 July 1945.

PRIORITY

VICTORY 341. To AGWar for Sommers Office Assistant Secretary of War and CAD signed McCloy.

Reference War 38253 1 Matthews and I approve the addition of a paragraph reading as follows along the lines suggested by British:

"You should as far as possible administer the area, on following lines:—Yugoslav system of national committees should in general be discontinued in whole area, and Italian system reinstalled. In predominantly Yugoslav towns and villages, token Yugoslav administration might be retained and national committee used in advisory capacity."

This is substantially Lovett's suggestion as reported by you.

1 Document No. 1206.

No. 1209

740.00119 Control (Italy)/7-2745 : Telegram

The Chargé in Yugoslavia (Shantz) to the Acting Secretary of State

SECRET

BELGRADE, July 27, 1945—6 p. m.

US URGENT

318. Foreign Office delivered letter last night addressed to President Truman and signed by Marshal Tito and Dr. Šubašić concerning "a matter which presses heavily upon our peoples". A similar letter was delivered at about same time to British Ambassador for Mr. Churchill.

Letter refers to Foreign Office note of July 17, contents of which were summarized in my telegram No. 296 of July 20, 2 on the civil administration of the area of Venezia Giulia under AMG (Allied Military Government) and quotes the following clause in Article 3 of the Agreement signed in Belgrade on June 9:

"Use will be made of any Yugo Civil Administration which is already set up and which in the view of the Supreme Allied Commander is working satisfactorily."

Letter then says this clause rests upon fact that area is liberated territory inhabited mostly by a population which has proved its

1 Text repeated in extenso in telegram No. 155 of July 29 from Grew to Byrnes (file No. 740.00119 (Potsdam)/8-645).

2 Not printed. For the full text of the note referred to, see the enclosure to document No. 1207.
devotion to Allied cause and is not merely occupied territory. But with coming of Allied military authorities democratic development of Venezia Giulia was brought to standstill[.]. Some democratic institutions were abolished and legal order based on laws in force up to September 8, 1943, was reinstated along with Fascist laws, Fascist institutions and Fascist administrators. Allied military authorities were not satisfied to use the democratic institutions and democratic procedures available. Therefore, it is proposed that democratic elections be carried out in the part of Venezia Giulia under Allied Administration “whereby the organs of civil administration would be chosen in accordance with the democratic aspirations of the people”.

Note concludes that settlement at peace conference of question of Venezia Giulia is awaited with greatest confidence but in meantime, interpreting the wishes of both Slovenes and Italians, it is desired that these inflicted heroic peoples be returned liberties they won through their sacrifices so that until final decision of peace conference they may live under a national administration of their own choosing in close collaboration with AMG.

Please note Yugo claim that territory administered by AMG is liberated territory and that no mention is made of the region of Friuli. Reaction of British Ambassador is that holding of an election in Venezia Giulia would add enormously to burden of AMG and that to accept Yugo thesis that the area is liberated territory would in effect prejudice the final question of sovereignty. We agree in this opinion. Text of letter follows by airgram.3

SHANTZ

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2 Airgram not printed. For the full text of the Tito-Šubašić communication, see document No. 1207.

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No. 1210

740.00119 Control (Italy)7-2946 : Telegram

The Acting Secretary of State to the Secretary of State

[Extract]

SECRET

[WASHINGTON,] July 29 [1945.]

155. . . .1

Department has discussed Yugo note (Belgrade's 296)2 with British and is now awaiting receipt their views before instructing Embassy Belgrade re reply.

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1 Here follows a summary of document No. 1207 and its enclosure.
2 The Embassy's telegram is not printed. For the text of the Yugoslav note referred to, see the enclosure to document No. 1207.
We expect that local elections will be held in Venezia Giulia as in other AMG territory at approximately same time such elections are held in other parts of Italy and AMG has already initiated certain preparations to that end. Department however agrees with view set forth in final paragraph Belgrade's 318 that to accept Yugo thesis that area is liberated territory (i.e. Yugo liberated territory) would in effect prejudice final question of sovereignty.

[GREW]

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8 Document No. 1209.

No. 1211

798.00119 (Potsdam)/7-3045

Proposal by the Soviet Delegation ¹

[Translation]

[BABELSBERG,] July 30, 1945.

ON CONDITIONS IN TRIESTE–ISTRIA DISTRICT

SOVIET PROPOSAL

The Soviet Government have taken knowledge of the message of Mr. I. Šubašić, Minister of Foreign Affairs of Yugoslavia, and Marshal I. Broz-Tito, Prime-Minister of Yugoslavia, to the Heads of the Three Governments concerning conditions in Trieste–Istria District. ²

It is said in that message that Italian fascist laws which had been in action until September 8, 1943, were restored on the territory of Trieste–Istria in consequence of Allied military authorities activity. Former Italian institutions are being restored; persons who had occupied executive posts in the period of German occupation are permitted to participate in the civil administration. At the same time obstacles are being made to the activities of democratic institutions of the local Yugoslav administration which had been created during the period of struggle against occupant in a number of cases these institutions are ignored by the representatives of the Allied military authorities.

The Government of Yugoslavia request that the laws which had been in action until September 8, 1943, on Trieste–Istria territory be revoked, that the possibility of normal activities should be given to the democratic institutions of the local administration represented by the people’s committees having the support and confidence of the population and that in such cases when those institutions do not

¹ Attachment 12 to the summary of the Tenth Meeting of the Foreign Ministers, July 30. See ante, pp. 494, 498. This proposal was apparently withdrawn by Stalin at the Eleventh Plenary Meeting, July 31. See ante, pp. 525 (footnote 46), 537.

² Document No. 1207.

[No. 1211]
correspond to the proper requirements their replacement should be effected by the way of free democratic elections.

The Soviet Government consider desirable that the proposals of the Government of Yugoslavia expressed in the message of Mr. I. Šubašić, Minister of Foreign Affairs, and Marshal I. Broz-Tito, Prime Minister of Yugoslavia, should be met by the Conference of the Heads of the Three Governments.